3 Top Stocks Under $5

Description

Are you struggling to find cheap stocks in today's equity bull market? Maybe you should try combing through the market's discount bin.

Screening through stocks trading under $5 can be a great source of investment ideas. After all, it's much easier for a $2 stock to double to $4, than for a giant like **Suncor Energy Corp.** to make the same move from $45 to $90. The price tag on sub-$5 stocks is also too small to draw much attention from Bay Street, and that creates an opportunity for smaller investors.

For those of us who mind shopping through the bargain rack, you can find some outright deals. Here are three sub-$5 stocks that have been unfairly marked down and are poised to surge.

1. Denison Mines Corp.

As regular Motley Fool Canada readers know, uranium prices have been weak. Following Japan's Fukushima Daiichi disaster in 2011, a number of countries have scaled down or scrapped their nuclear power programs. The sudden drop in demand has been predictably hard on mid-size miners like **Denison Mines Corp.** (TSX: DML)(NYSEMKT: DNN).

However, the outlook is improving for the uranium industry. Supplies are beginning to tighten as small producers go bust and larger miners scale back operations. Eventually, the laws of economics dictate that prices will rise to meet the industry's average cost of production at around US$75 per pound — that's more than 100% over today's levels.

In the meantime, low prices are forcing the industry to consolidate. Denison would make an attractive acquisition target for a larger miner like **Cameco Corporation**. But even if no buyout occurs, Denison still has a great asset base with huge exploration potential.

2. Bombardier, Inc.

The past couple of years have been tough on **Bombardier, Inc.** (TSX: BBD.B) shareholders given all of the bad news with regards to its CSeries engine problems and order cancellations among other ongoing problems.

However, Bombardier has used the summer doldrums to revamp itself into a significantly different company. Gone are the firm's two top aerospace executives with more departures expected soon. Bombardier is now putting more emphasis on what was once a marginal business — the design, manufacturing, and distribution of aircraft components.

Issues surrounding Bombardier CSeries aircraft are also starting to be resolved. The company secured 66 new order commitments at the recent Farnborough Airshow in July. And any rumours of earlier order cancellations have been proven false.

3. Kinross Gold Corporation

Thanks to plunging metal prices, **Kinross Gold Corporation** (TSX: K)(NYSE: KGC) was left for dead by the investment community. Since 2011, shareholders have watched $17 billion in market capitalization evaporate. And this time last year, the mining giant announced a $2.4 billion asset write off.

Now some of Wall Street's smartest money managers are building positions in Kinross on the cheap. Last quarter, SEC filings revealed that billionaire investor Ken Griffin has purchased over $20 million of common shares in the gold miner, increasing his position size more than 10-fold. Other money managers including David Iben and Ray Dalio also initiated or increased the size of their stakes in the company last quarter.

What could these investors possibly see in Kinross? Well for starters, the stock is incredibly cheap trading at price multiples we haven't seen in decades. The company's cost-cutting efforts have also stemmed its cash crunch and could provide a big boost to the bottom line in upcoming quarters.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:KGC (Kinross Gold Corporation)
2. NYSEMKT:DNN (Denison Mines Corp.)
3. TSX:BBD.B (Bombardier)
4. TSX:DML (Denison Mines Corp.)
5. TSX:K (Kinross Gold Corporation)

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