An Instant 3-Stock Income Portfolio for Millennials

Description

Many new investors start buying stocks shortly after landing their first job out of college or university.

If you are part of the millennial generation and are looking to begin an investment portfolio, I think the top stocks to consider right now are: **Cameco Corporation** (TSX: CCO)(NYSE: CCJ), **Potash Corp./Saskatchewan** (TSX:POT)(NYSE:POT), and **Suncor Energy Inc.** (TSX: SU)(NYSE: SU).

Let’s see why.

Cameco Corporation

The fallout in the nuclear power industry after the disaster in Japan has hit uranium producers hard. Cameco is no exception, but there is light at the end of the tunnel.

Japan is expected to restart two nuclear power stations by the end of next year and analysts believe that 30 of the country’s 48 operable reactors will be back in action by 2019.

Cameco expects more than 90 net new nuclear reactors to come online in the next 10 years. Current annual uranium consumption is running at about 170 million pounds per year. Cameco calculates demand will hit 240 million pounds per year by 2023.

A serious supply crunch could hit the uranium market in the next five or six years because new mining projects are currently being delayed.

The uranium spot price dropped below $30 per pound this summer but has started to recover over the past month. The current price sits at about $34. If uranium prices have bottomed, investors could be looking at a short window of opportunity to pick up Cameco at a fire-sale price.

Cameco pays a dividend that yields about 2%, so you get paid to wait for the rebound.

Potash Corp./Saskatchewan Inc.

Potash Corp. is a stock you can hold for decades, which makes it perfect for young investors.

The potash market hit a rough patch over the past year as global prices dropped from $400 to $305 per tonne.

Prices appear to have bottomed. Russian producer Uralkali signed a deal with China last January for $305 per tonne, but Uralkali recently announced it is expecting to boost the price by 10% in 2015. In April, India agreed to pay $322 per tonne.

Producers are seeing higher-than expected demand coming from China and North America in the second half of 2014, and Uralkali recently stated global demand this year could hit record levels.

The opportunity I see for investors in Potash Corp. is a huge increase in free cash flow. The company is approaching the end of a multiyear capital project undertaken to increase production capacity. Free cash flow available for dividend increases and share buybacks should increase as the project moves from development to production. At the same time, margins should increase due to higher global potash prices.

Potash Corp. currently pays a 4% dividend. Investors should see the payout increase steadily in the next few years.

Suncor Energy Inc.

As Canada’s largest integrated oil company, Suncor offers investors a way to benefit from oil production, refining, and retail operations. The diversification in the earnings stream provides a hedge against volatile oil prices.

Suncor does a good job of improving efficiency at its oil sands facilities. In its Q2 2014 earnings statement, Suncor said the cash operating cost per barrel dropped to $34.10 from $46.55 in Q2 2013. Shareholders were rewarded with a 22% hike in the dividend and a $1.1 billion share buyback plan.

Recent weakness in the oil market has brought Suncor’s shares down to very enticing levels. At $1.12 per share, the dividend yields 2.7%. Investors should see consistent dividend increases for years to come.

The bottom line

All three of these companies are trading at attractive prices right now. For long-term investors, there is an opportunity for huge capital appreciation once the markets turn.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:CCJ (Cameco Corporation)
2. NYSE:SU (Suncor Energy Inc.)
3. TSX:CCO (Cameco Corporation)
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