



## Could These Dogs of 2014 Be This Year's Stars?

### Description

Commodity stocks really took it on the chin in 2014, and investors are wondering if it's safe to wade through the carnage and add a few of the walking wounded to their portfolios.

There is no guarantee that bad won't become worse, but the upside potential in some of these names is huge if commodity prices start to move higher.

Here are the reasons why I think investors should consider adding **Teck Resources Ltd.** (TSX: TCK.B)(NYSE: TCK), **Baytex Energy Corp.** ([TSX: BTE](#))(NYSE: BTE), and **Goldcorp Inc.** (TSX: G)(NYSE: GG) to the watchlist.

#### **Teck Resources Ltd.**

Teck Resources produces metallurgical (steelmaking) coal, zinc, and copper. Zinc prices are holding up well, but both met coal and copper have been extremely weak. Despite the tough conditions, Teck continues to be profitable in all three divisions.

The difficult situation in the met coal market is expected to change in the second half of 2015 as 25 million tonnes of production cuts from suppliers finally bring the market into balance. At the current price of about \$110 per tonne, roughly a third of global producers are losing money.

Copper is trading below \$3.00 per pound but Teck's margins are still robust due to its position as a low-cost producer. The company reported gross margins of 46% for the third quarter on its copper sales. In the earnings statement, Teck said copper consumption in both China and the U.S. continues to expand.

Teck's 5.7% dividend is probably safe. If coal and copper prices start to move higher, the stock could get a big lift.

#### **Baytex Energy Corp.**

Baytex used to be the dividend darling in the energy space, but the bloodbath in the oil market has forced the company to slash the beloved distribution by nearly 60%.

The stock has had a nice bounce off its bottom of \$15 per share and the current yield of about 6.2% should be sustainable because Baytex has 37% of its WTI exposure hedged at \$94.79 per barrel for the first six months of 2015.

A recent report suggests that Saudi Arabia has set its 2015 budget based on an average oil price of \$80 per barrel. If that's the case, oil prices will probably drift higher as we move through the year.

### **Goldcorp Inc.**

If you believe in the long-term gold story, Goldcorp is probably the stock to own. The company has a strong balance sheet, owns great assets, and is making progress at bringing down costs. At current gold prices, the margins are pretty thin but Goldcorp is still making money and the 3% dividend should be safe as long as gold prices average \$1,200 per ounce or better.

Will gold rise in 2015? I don't know, but the world is still a crazy place and financial troubles in Europe are making people nervous again. At the same time, central banks still have their printing presses running in overdrive. At some point, you have to pay the piper.

All three of these stocks are contrarian plays and there is certainly a risk that they will move lower this year, but the upside potential is compelling if commodity prices catch a lift in 2015.

If contrarian investing is part of your strategy, you might want to check out the following report.

### **CATEGORY**

1. Energy Stocks
2. Investing
3. Metals and Mining Stocks

### **TICKERS GLOBAL**

1. NYSE:TECK (Teck Resources Limited)
2. TSX:BTE (Baytex Energy Corp.)
3. TSX:TECK.B (Teck Resources Limited)

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