3 “Hail Mary” Stocks I’d Buy With an Extra $5,000

Description

If you are a fan of American football, this is the most exciting time of the year. If you are a fan of contrarian investing, the recent rout in the Canadian market should also have you sitting on the edge of your seat.

Sometimes investors find themselves with a bit of extra cash and are willing bet on a stock that is completely out of favour with the market, but offers great long-term potential.

Here are the reasons why I think investors should consider **Cameco Corporation** (TSX:CCO)(NYSE:CCJ), **Cenovus Energy Inc.** (TSX:CVE)(NYSE:CVE), and **Teck Resources Ltd.** (TSX:TCK.B)(NYSE:TCK) right now.

Cameco Corporation

Global uranium prices have been extremely weak for the past three years, but Cameco has managed to squeeze out an operating profit despite the tough conditions.

The company owns the world’s largest uranium mine, and its deposits boast some of the highest grades on the planet. This combination sets Cameco apart from its competitors.

Last summer, uranium spot prices hit a low of about US$28 per pound, but have since rebounded and are now in a holding pattern as the market waits for Japan to restart its first two nuclear reactors. Once Japan flips the switch, money should start to flow back into the uranium sector.

The long-term outlook for uranium looks very positive. Global demand is expected to increase significantly over the next 10 years as more than 90 net new reactors go into service. Producers have clawed back on expansion projects and shelved plans for new mines. Given the long lead time required to bring new production on line, the market could see a supply shortage in the next few years. If that happens, Cameco’s stock should see a nice move to the upside.

One item to keep in mind is Cameco's nasty battle with the Canada Revenue Agency. The company says its exposure could be as much as $650 million if it loses the case.

Cenovus Energy

Cenovus has been dragged down by the rout in oil prices, but investors should look beyond the short-term volatility when considering this stock.

The company has an operating cost of less than $15 per barrel, which means it can still make money in a low-price environment. At the same time, Cenovus continues to increase production at its two flagship oil sands facilities.

Cenovus also has a large refining division, which helps stabilize cash flow when oil prices are volatile.

Investors might see low oil prices continue for most of this year, and short-term volatility should be expected, but the market will eventually stabilize. In the meantime, the 4.6% dividend should be safe and is a nice benefit while you wait for a recovery.

Teck Resources

Teck has been hit by a perfect storm of bad commodity prices, but investors could see some relief in the second half of this year.

Prices for metallurgical coal are expected to improve as huge production cuts by miners work their way through the system. The current price of about $110 per tonne is unprofitable for about a third of global suppliers. Teck's Q3 2014 production cost for met coal was $84 per tonne and the company has contracts in place to sell it for $119 per tonne.

On the coppers side, prices continue to fall and the market might not see much relief before 2016. Teck is a low-cost copper producer, and is more than capable of weathering the storm. The company reported gross margins of 46% on copper sales in the third quarter.

Teck's 5.7% dividend is probably safe and the stock should see a big move to the upside when the met coal and copper markets finally show signs of improvement.

These three stocks are still risky bets. If you are more comfortable sticking with the running game rather than throwing the long bomb, the following report is worth a quick read.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:CCJ (Cameco Corporation)
2. NYSE:CVE (Cenovus Energy Inc.)
3. NYSE:TECK (Teck Resources Limited)
4. TSX:CCO (Cameco Corporation)
5. TSX:CVE (Cenovus Energy Inc.)

6. TSX:TECK.B (Teck Resources Limited)

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