



## Attention Contrarians: These 2 Stocks Look Way Oversold

### Description

Contrarian investors are a different breed. They sift through the equity market's dust bin looking for great opportunities that nobody else believes in, hoping to find stocks with strong fundamentals that have fallen on hard times or become victims of temporary setbacks. Sometimes these stocks don't recover, despite their potential. That's what makes a market.

But good contrarian picks often deliver huge gains when the market finally realizes it has thrown out the baby with the bathwater.

**Silver Wheaton Corp.** (TSX:SLW)(NYSE:SLW) and **SNC-Lavalin Group Inc.** (TSX:SNC) might be two such stocks.

### Silver Wheaton

Investing in the precious metals space has been a painful endeavor over the past few years, and Silver Wheaton is no exception. The stock is down nearly 40% in the past five years, and long-term fans are wondering if the name will ever regain its shine.

I think it will.

Silver is a core component in the manufacturing of solar panels. The solar industry has had its ups and downs, but the technology is now at a point where panels can be produced cheaply enough to make them a viable option for the generation of electricity.

Large-scale installations are popping up all over the planet, and that trend should continue.

As demand for silver is expected to increase, the supply side is getting pinched. About 70% of the world's new silver comes as a by-product from mines set up to produce base metals such as copper and zinc.

Base metals prices are extremely weak right now, and mining companies are delaying or cancelling new projects. This could set up a silver supply squeeze in the coming years.

Silver Wheaton isn't a miner; it simply provides upfront funding to the mining companies in exchange for the right to buy the gold and silver produced at the mine for very cheap prices.

Even in the current market, the company enjoys strong margins.

Production in 2015 is expected to be 20% higher than last year, and most of the growth through 2019 is already fully funded. When gold and silver prices recover, this stock should soar.

## **SNC-Lavalin**

Canada's top engineering company has been plagued by corruption scandals over the past few years, and that has scared investors away from the name.

It's easy to understand why.

SNC is already serving a 10-year bidding ban from the World Bank, and the RCMP has charged the company with fraud and corruption in connection with some dodgy deals in Libya. The worst-case outcome in that situation would be a bidding ban on Canadian projects.

There is no way to know for sure how the RCMP situation will pan out, but contrarians are looking at a recent string of large federal and provincial contract wins and are betting that SNC might just be too important to ban.

The company remains profitable and has increased its dividend every year for the past decade. Management believes the stock is so cheap right now that it plans to buy back up to 10% of the float.

If SNC escapes the RCMP charges with just a fine, the stock will move significantly higher. In the meantime, investors can pick up the shares at a very attractive price and just wait for the market to give it the valuation it deserves. At this point, all of the bad news is probably priced in.

## **CATEGORY**

1. Investing

## **TICKERS GLOBAL**

1. TSX:ATRL (SNC-Lavalin Group)
2. TSX:WPM (Wheaton Precious Metals Corp.)

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