2 Rising Stocks I'd Buy Today With an Extra $5,000

Description

Teck Resources Ltd. (TSX:TCK.B)(NYSE:TCK) and **Crescent Point Energy Corp.** (TSX:CPG)(NYSE:CPG) are hitting new 2016 highs, and more upside could be on the way.

Let's take a look at the two companies to see why they deserve to be on your radar.

Teck Resources

Teck is staging a massive recovery this year and continues to push higher.

Teck produces metallurgical coal, copper, and zinc. The three commodities had been in a nasty slump for the past five years, but coal and copper are showing signs of a bottom and zinc prices are surging.

Coal is in its worst slump since 1950, and weak Chinese demand continues to offset reduced output by North American suppliers. Most analysts thought the market would remain in the dumps through 2016, but Teck says things are starting to turn around.

In the Q1 earnings report the company said coal prices had moved above the Q2 contract settlement price. That bodes well for new agreements through the end of the year, and investors are trying to get in ahead of a potential coal recovery.

Copper also appears to have found a bottom. The price bounced off the January low and has been range-bound for most of 2016. Strong arguments are being made on both sides of the trade as bears point to lukewarm demand, while bulls say stockpiles are being reduced. We'll see how it plays out, but history suggests the rout should be near its end.

Zinc's recovery is in full swing. The metal has gained 30% this year, and most analysts expect more gains through the end of the year as supply cuts push the market into a shortage position.

Teck is also rallying on the back of stronger oil prices. The company does not produce oil but has a 20% stake in the Fort Hills oil sands project. If oil continues to move higher through next year, Teck is poised for a big boost in cash flow when Fort Hills begins production in late 2017.

Teck remains profitable and is well positioned to benefit when the commodity recovery really begins to ramp up.

Crescent Point

Crescent Point might be the best way to play the oil market.

The company has reduced operating costs to the point where it can live within its cash flow at WTI oil price of US$35 or better. That is one of the lowest breakeven points in the sector, and it means Crescent Point is looking at some serious margins at the current price of US$50 per barrel.

The story gets even better.

Crescent Point says it would generate $600 million in free cash flow in 2017 if WTI oil averages US$55 per barrel through the year. That's a reasonable target right now and the market hasn't fully appreciated the significance of that situation.

Crescent Point could start to raise its dividend again or use the funds to go on a buying binge while assets in the sector are still trading at fire-sale prices.

Another possibility is a potential takeover bid. Crescent Point is sitting on some of the best properties in the industry and has 14 years of drilling activity waiting on the sidelines. One of the majors could decide to buy the company before it gets too expensive.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:TECK (Teck Resources Limited)
2. NYSE:VRN (Veren)
3. TSX:TECK.B (Teck Resources Limited)
4. TSX:VRN (Veren Inc.)

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