Value Investors: 2 Unloved Stocks That Could Soar in 2017

Description

Contrarian investors are always searching for beaten-up stocks that could be on the verge if a big turnaround.

Let’s take a look at why **TransAlta Corporation** (TSX:TA)(NYSE:TAC) and **Crescent Point Energy Corp.** (TSX:CPG)(NYSE:CPG) deserve to be on your radar.

TransAlta

TransAlta has suffered terribly in recent years amid falling electricity rates, the oil rout, and government plans to shut down coal-fired power generation.

Most of the pain is connected to Alberta, where the company has significant coal-fired assets.

Dividend investors abandoned the stock after a series of distribution cuts, and value investors have stayed on the sidelines, waiting for the Alberta government to lay out its plans for the future of the province’s energy sector.

In the last few days, the picture has become clearer, and TransAlta is poised to be a winner.

What’s up?

Alberta wants to get rid of all of its coal-fired power generation by 2030, but half of the province’s electricity is generated by coal plants. In order to promote investment in new environmentally friendly facilities, Alberta is switching its electricity market to a system where producers are paid for their capacity as well as the electricity they produce.

At the same time, Alberta has announced it will pay TransAlta and its peers to close some coal facilities and covert others to gas-fired plants. TransAlta says it will receive about $37.4 million per year from 2017-2030.

The recent announcements should remove much of market’s concerns about the future of TransaAlta’s business in Alberta.

TransAlta’s stock has already jumped on the news, but more gains could be on the way through next year.

Crescent Point

The oil rout has hit the producers hard, but some names remain in decent shape, including Crescent Point.

Crescent Point has managed to grow production while drastically reducing capital expenses over the past two years. The gains came as a result of strategic acquisitions as well as Crescent Point’s ability to target some of the low-hanging fruit in its vast resource portfolio.

Heading into 2017, the company is raising its capital expenditures and expects to increase production by 6-8%.

Oil prices remain a wildcard, and the result of a November 30 OPEC meeting could trigger a huge move one way or the other in the crude prices.

Why?

OPEC is expected to announce an agreement to cut oil output. If the market decides the target is reasonable and believes the members will actually honour it, oil could take off and rally into next year.

If OPEC floats a deal the market doesn’t like, oil could fall off a cliff in the coming weeks.

So, Crescent Point is an attractive pick for oil bulls, but there is definitely some downside risk in the near term.

Is one a better bet?

Both stocks offer a shot at some strong gains moving into 2017.

If you think oil has bottomed, go with Crescent Point. Otherwise, TransAlta looks like an attractive buy-and-hold bet at the current price.

CATEGORY

1. Energy Stocks
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2. NYSE:VRN (Veren)
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