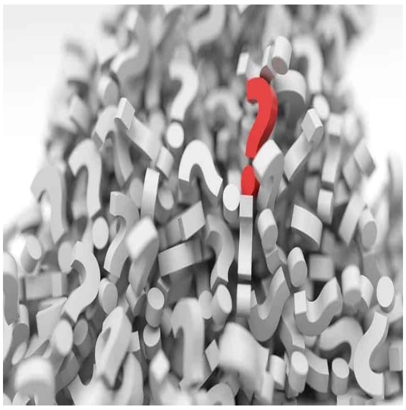

Contrarian Investors: Should You Own Crescent Point Energy Corp. or Cameco Corp.?

Description

Contrarian investors are seeking beaten-up names that might be on the cusp of a recovery.

Let's take a look at **Crescent Point Energy Corp.** (TSX:CPG)(NYSE:CPG) and **Cameco Corp.** (TSX:CCO)(NYSE:CCJ) to see if one is attractive today.

Crescent Point

Crescent Point currently trades for $14.25 per share, and WTI oil is above US$50 per barrel. A year ago, investors had to pay $17 per share for Crescent Point when WTI oil was US$45.

Based on those numbers, Crescent Point was either overvalued last April, or the stock is looking cheap today.

If the company's production were falling, or if the debt were threatening to force asset sales, the price difference might make sense, but Crescent Point should exit 2017 with average daily production that is at least 10% higher than last year, and the balance sheet is in decent shape.

So, what's going on?

Investors remain concerned about a Trump border tax, and the market isn't convinced OPEC production cuts are going to push oil prices higher. Rising production in the United States is also providing a headwind.

If oil is headed back to US$40 per barrel, more pain is probably on the way, but based on current market prices, Crescent Point is starting to look attractive.

Cameco

After the Great Recession, the uranium market actually started to improve through the end of 2010 and into the start of 2011. Then the tsunami hit Japan, and producers have struggled ever since.

To put the situation in perspective, uranium traded for US$70 per pound before the Fukushima nuclear disaster. Late last year, spot prices slipped below US$20 per pound.

Cameco was a $40 stock in early 2011. In November, it bottomed out close to $10 and is now trading around $14.50 per share.

Fans of the stock say the long-term outlook for the uranium industry is positive. That might be true, but it is going to take time for a recovery to begin, and it's possible we haven't seen the final bottom.

In addition, Cameco is caught up in a nasty battle with the Canada Revenue Agency (CRA) over taxes owed on earnings generated through a foreign subsidiary.

If Cameco loses the case, it could be on the hook for more than $2 billion in taxes and penalties.

Is one an attractive bet?

Oil prices could go either way in the coming months, and a Trump border tax might cause grief for Canadian oil producers, so there is good reason to tread cautiously in the energy patch.

That said, if you have a stomach for volatility and think oil is ready for a recovery, Crescent Point might be worthy of a small contrarian position on further weakness.

Regarding Cameco, the uranium industry continues to face challenges, and the CRA issue is a big deal, so I would avoid the stock right now.

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Date
2025/07/27
Date Created
2017/04/05
Author
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