



Bargain Hunters: Should You Buy Cameco Corp. or Crescent Point Energy Corp.?

Description

Investors are searching the market for troubled stocks that might be on the cusp of a rebound.

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

Cameco

The uranium industry has been under pressure for a number of years, and the near-term outlook suggests Cameco's investors might have to be patient.

What's the scoop?

Japan shut down its entire fleet of nuclear reactors after the Fukushima disaster in 2011, and while the country is working hard to get the reactors back in service, technical glitches and legal delays are dragging the process on longer than most pundits expected.

In fact, as of January, only three of the country's 42 operable reactors were back online.

Uranium producers have closed mines and abandoned new projects in an effort to ride out the slump, so there is a chance the industry could find itself in a shortage position in the coming years, but secondary supplies are currently offsetting the production cuts, and that is keeping prices near multi-year lows.

On top of the tough market conditions, Cameco is also battling 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.

The case is currently before the courts, and a decision isn't expected until late this year at the earliest.

Crescent Point

Crescent Point was a \$45 stock in the summer of 2014 when WTI oil traded around US\$100 per barrel. Today, WTI sits just above \$52, and Crescent Point can be picked up for \$14 per share.

Fans of the stock say it is oversold, and there might be some merit to the argument.

Why?

A year ago, WTI oil was about \$5 cheaper than it is today, but Crescent Point's stock was nearly 50% higher.

The company's balance sheet is still in decent shape, and 2017 exit production is expected to be 10% above than last year.

So, the contrarian types are starting to smell an opportunity.

Is one a buy?

Both stocks could see more volatility in the coming months, so I wouldn't back up the truck for either one.

However, if you believe oil is headed higher in the near to medium term, Crescent Point might be worthy of a small contrarian position at the current price.

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1. Energy Stocks
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