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

Description

Contrarian investors are searching for beaten-up stocks that could be on the verge of a rebound.

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 right now.

Crescent Point

Crescent Point used to be a dividend darling in the oil patch, but the prolonged rout in the energy sector forced the company to slash its monthly payout from $0.23 per share to $0.10 and then again to the current level of $0.03.

The stock has fallen as a result, tumbling from $45 per share three years ago to the current price of about $10. Despite the nasty slide, Crescent Point still has a stable balance sheet and is targeting production growth of at least 10% by the end of the year.

The dividend now yields 3.5%, but investors shouldn't buy the stock today on the assumption that the payout will remain in place. If WTI oil remains below US$50 for an extended period of time, the distribution could see another cut.

Oil prices remain volatile, and analyst predictions are all over the map. Some pundits see WTI oil sliding back to US$30 per barrel, while others believe a rally above US$60 is possible in the next 12 months.

Cameco

Cameco's stock price is down from $55 10 years ago to $12.25 today.

The tough times began during the Financial Crisis but really picked up steam after the tsunami hit Japan in 2011 and caused the Fukushima nuclear disaster. In the wake of the accident, Japan shut down its entire fleet of nuclear reactors, sending uranium prices and the stocks of producers into a tailspin.

Japan is trying to get its reactors back online, but legal challenges and operational difficulties have prolonged the process. At the time of writing, fewer than five of Japan's 43 operable nuclear reactors are back in service.

Uranium spot prices fell from US$70 per pound in early 2011 to below US$20 per pound late last year and currently trade close to that level.

In addition, Cameco is stuck 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 hit with more than $2 billion in additional taxes and penalties.

Is one an attractive bet?

Both stocks are at the mercy of moves in the commodity space.

If you can stomach the volatility and are bullish on oil, Crescent Point probably offers a better shot at some near-term gains.

Cameco looks attractive as a long-term play, but I would wait for the CRA issue to be resolved before buying the stock.

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