Is the Market About to Run? 2 Stocks You May Want to Load Up on

Description

Since falling nearly 2% in a single trading session on May 17, the SPX has rebounded, up 3.6% in the period since then for an annualized return north of 45%.

While those types of annualized returns are not likely to be sustained, there are other signs the market is showing strength lately; the TSX Composite is up 1.4% in the past seven trading days.

Meanwhile, the Volatility Index, or VIX, is sitting at its lowest level since 2007. Oftentimes, investors and market commentators will refer the VIX as a gauge of "fear" in the market as volatility is most commonly equated with financial crises, market corrections, and ensuing losses in publicly traded securities.

The idea is that when the VIX is below historical norms, the market is due for some type of corrective action that will spark selling activity by investors and traders.

However, this time it may be different.

Corporate profits are expected to rise this year, and the S&P's earnings yield is still well below that of U.S. Treasuries. With U.S. GDP forecast to rise to 3% in the upcoming quarter, what we may be seeing is a "calm before the storm," but in this case, the storm could be an extended bull rally putting profits in the coffers of those investors willing to bear the risk and who are unafraid to bet against the grain.

If that sounds like you, these two stocks may be worth considering, as they tend to exhibit the most volatility when the market goes up (and down).

Teck Resources Ltd. (TSX:TECK.B)(NYSE:TECK)

Teck is one of the (if not *the* most) volatile stock within the S&P/TSX 60 index.

Just over the past two-and-a-half years, TECK.B shares have gone the distance and back from $20 at the start of 2015 before falling all the way to $3 in 2016 at the depths of the commodities crash before rebounding sharply to $30 (10 times returns) in just 10 short months.

A lot of the sentiment regarding Teck is tied to Chinese industrial production and, to a lesser extent, the direction of the U.S. dollar. If you feel you have an edge in either of these areas, and if you have nerves of steel, a profitable Teck trade can make a big difference on your portfolio's overall returns.

Canadian Natural Resources Limited (TSX:CNQ)(NYSE:CNQ)

Canadian Natural Resources has long been known by traders as the best pure play when trading stocks as a proxy for oil prices.

The company has a very strong balance sheet with a debt-to-equity ratio of just 0.5 times, not to mention cash balances of just under $1 billion.

Yet performance has suffered in recent years as oil prices have fallen. The company's sales in 2016 were nearly half of what they were before the crash started in 2014.

Shares are down 16%, but they show support at current levels, which could offer an attractive entry point should sentiment around the oil markets improve in the coming weeks for those willing to take the plunge.

Conclusion

Make no mistake about it; both Teck Resources and Canadian Natural Resources are high-volatility stocks because they carry with them an outsized component of risk — mainly the risk tied to commodity prices, which are out of their control.

Simply put, these are not the types of stocks you can tuck away in your TFSA or RRSP account and "forget" for the next 20 years.

However, for those who are actively trading in the market, who believe they have an edge on where things are headed next, and who agree that the current VIX sentiment is a bullish contrarian indicator pointing to a sign of things to come, TECK and CNQ may just prove the best ways to play that angle.

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2. NYSE:TECK (Teck Resources Limited)
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