Crescent Point Energy Corp. or Teck Resources Ltd.: Which Is a Better Bet Today?

Description

Contrarian investors are following beaten-up names in the Canadian resource sector and wondering which ones might offer some solid upside potential.

Let's take a look at **Crescent Point Energy Corp.** (TSX:CPG)(NYSE:CPG) and **Teck Resources Ltd.** (TSX:TECK.B)(NYSE:TECK) to see if one deserves to be in your portfolio right now.

Crescent Point

Crescent Point used to be a dividend star in the energy patch, but the extended rout in the oil market forced the company to reduce its monthly dividend from $0.23 per share to $0.10 and then again to the current level of $0.03.

At the time of writing, the stock trades for close to $10 per share and provides a yield of 3.7%.

Most dividend investors want nothing to do with Crescent Point these days, and those who think the existing payout is safe might be disappointed in the coming months if oil doesn't recover.

However, value investors are looking at the sell-off and thinking there might be an opportunity to score some big gains if oil stages a rebound.

Crescent Point owns an attractive resource base and is targeting 10% exit production growth this year, despite the ongoing challenges in the market.

The balance sheet remains in decent shape compared to many of its peers, and I wouldn't be surprised to see a takeover bid from a larger player if oil stays under pressure heading into next year.

Remember, Crescent Point was a $45 stock just three years ago.

Teck

Teck is even more volatile than Crescent Point, sliding from $60 per share in early 2011 to as low as $4 in January 2016.

A recovery in metallurgical coal, copper, and zinc prices sent the stock soaring through the rest of last year, reaching $35 per share in November before giving back some of the gains.

Teck hit its 2017 bottom near $20 in June and has since rallied 30%, driven by another upswing in copper and zinc prices.

A weakening U.S. dollar might be largely responsible for the recent recovery, so investors should be careful chasing the rally. Ideally, the surge would be supported by strong global growth, especially in China, which doesn’t appear to be the case right now.

Teck is about to become a play on oil, too, due to its 20% stake in the Fort Hills oil sands project, which is scheduled to begin production later this year. The switch from development to production at Fort Hills should take some pressure off Teck’s capital program.

Debt was an issue in early 2016, but the company used some of the big profits in recent quarters to lighten the load. As a result, Teck’s balance sheet is now in much better shape.

Is one more attractive?

Both stocks offer big upside potential on a recovery in commodity prices, but they also have significant downside risk if things go south again.

If you simply want to bet on an oil recovery, Crescent Point is the better pick. If you think the base metals are poised to outperform, Teck should be in your portfolio, and you can pick up some oil exposure to boot from the Fort Hills asset.

At this point, more volatility should be expected in both names, so I would keep the position small.

CATEGORY

1. Energy Stocks
2. Investing
3. Metals and Mining Stocks

TICKERS GLOBAL

1. NYSE:TECK (Teck Resources Limited)
2. NYSE:VRN (Veren)
3. TSX:TECK.B (Teck Resources Limited)
4. TSX:VRN (Veren Inc.)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise

4. Yahoo CA

Category

1. Energy Stocks
2. Investing
3. Metals and Mining Stocks

Date
2025/09/13
Date Created
2017/08/01
Author
aswalker