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

Description

Contrarian investors are constantly searching for troubled stocks that could be on the verge 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 is an interesting pick.

Cameco

The 2011 nuclear disaster in Japan sent uranium prices into a tailspin, and the market is still struggling.

What's going on?

The Fukushima event forced Japan to shut down its entire fleet of nuclear reactors, and some countries took a step back to evaluate their nuclear energy growth plans.

As a result, uranium spot prices have fallen from US$70 per pound before the tsunami hit Japan to the current price of about US$20.

Japan is trying to get its reactors back online, but operational difficulties and legal challenges have delayed the process. Only five of the country's 48 operable nuclear reactors have gone back into commercial service.

The global picture is more encouraging, with more than 50 new reactors under construction, but uranium markets remain oversupplied, and that situation isn't expected to change in the near term.

A company-specific issue is also worth noting. Cameco is in a battle with the Canada Revenue Agency (CRA) over taxes owed on income generated though a foreign subsidiary.

If the company loses the case, it could be hit with taxes and penalties of more than $2 billion.

Crescent Point

Crescent Point used to be a dividend darling in the Canadian oil patch, but the extended oil rout forced the company to slash the monthly payout from $0.23 per share to $0.10 and then to $0.03, where it currently sits.

That's still good for a yield of 3.7% today.

A rebound in oil prices in September brought some interest back into the energy sector, but Crescent Point's stock is still out of favour, trading below $10 per share.

In the summer of 2014, this was a $45 stock.

Crescent Point owns attractive assets, and its balance sheet remains in decent shape. The company is increasing output and expects 2017 exit production to be 10% higher on a per-share basis, compared to last year.

WTI oil has dipped back below US$50 per barrel in recent trading, so investors have to decide if they think the rally off the June lows is complete, or simply taking a break before pushing higher.

Is one attractive?

Uranium prices should improve over time, but there is little reason to jump into the market and buy the producers right now. In the case of Cameco, it would probably be best to avoid the stock until the CRA situation is sorted out.

Crescent Point probably offers contrarian investors a better shot at near-term gains, especially if oil can resume its upward trend in the coming months.

Additional volatility should be expected, so I wouldn't back up the truck, but a small position might be of interest if you are an oil bull.

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2. NYSE:VRN (Veren)
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