3 Top Oversold TSX Index Stocks: Will They Outperform in 2019?

Description

Contrarian investors are constantly searching for unloved stocks that have found a bottom and offer big upside potential as market sentiment shifts.

Let's take a look at three unloved industry leaders in the TSX Index that might deliver big gains heading into next year.

Barrick Gold (TSX:ABX)(NYSE:ABX)

Barrick Gold recently announced a game-changing merger with **Randgold** that will create the world's largest gold company by production and market capitalization. In addition, the new Barrick Gold will own five of the planet's top 10 gold mines.

Finding high-quality gold deposits is becoming difficult, so consolidation is expected to continue in the gold sector, and the long-term result will likely see a handful of mega-producers control the market.

Barrick has made good progress on its turnaround efforts. The company significantly reduced debt and streamlined its operations in recent years and is now positioned to benefit from a recovery in gold prices. The precious metal has recently picked up a tailwind amid heightening global economic and geopolitical fear. A full-blown trade war between China and the United States, Brexit concerns, and uncertainty surrounding Italy's finances are just a few of the current issues contributing to safe-haven demand.

Barrick's stock price has jumped 25% in the past month, and more gains could be on the way if gold continues its recovery.

Enbridge (TSX:ENB)(NYSE:ENB)

Enbridge is working through a strategy shift that will see the company focus primarily on regulated assets and become more streamlined.

Management has already announced deals to sell $7.5 billion in non-core assets. That's well ahead of the expected $3 billion the company had target for sale for 2018. Proceeds are earmarked to reduce debt and help fund the capital program. In addition, Enbridge is buying the shares it doesn't already own in a number of its subsidiaries and merging the businesses with the parent company. The simplification of the corporate structure should win back investors.

Enbridge has a long track record of dividend growth, and that trend should continue. The stock bounced off the 2018 low of $37 to $47, but it has since given some of the gains back. At the current price of $42.35, investors can pick up a 6.3% yield.

Suncor (TSX:SU)(NYSE:SU)

Suncor traded as high as $55 per share this year. The recent rout in the energy sector has knocked the stock back down to $46, which is starting to look attractive.

Pipeline bottlenecks are taking a toll on many Canadian producers, especially those that sell most of their production at Western Canadian Select (WCS) prices. The discount between WCS and West Texas Intermediate has widened significantly, and that is putting pressure on margins.

Suncor is less exposed to the WCS woes than some of its peers due to integrated nature of its business. In addition to the oil sands operations, Suncor owns large refineries and a network of retail operations. The company also utilizes rail transport to get its product to higher-priced markets.

U.S. sanctions against Iran and a potential standoff with Saudi Arabia could send oil prices soaring in 2019. Given the supply uncertainty in the global market and Suncor's unique business model, the stock might be getting oversold.

Suncor raised its dividend by 12.5% in 2018. Investors who buy today can pick up a yield of 3%.

The bottom line

Barrick, Enbridge, and Suncor are leaders in their respective markets and currently appear oversold. Contrarian investors with a bullish outlook on the energy and gold sectors might want to add the three stocks to their portfolios while the companies remain out of favour.

CATEGORY

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

TICKERS GLOBAL

1. NYSE:B (Barrick Mining)
2. NYSE:ENB (Enbridge Inc.)
3. NYSE:SU (Suncor Energy Inc.)
4. TSX:ABX (Barrick Mining)
5. TSX:ENB (Enbridge Inc.)
6. TSX:SU (Suncor Energy Inc.)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

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

Date
2025/08/26
Date Created
2018/10/19
Author
aswalker