Warning: Stocks You Should Not Buy and Forget

Description

You might buy and forget stocks that have increased their earnings or cash flow over many years. However, investors need to be very careful around commodity stocks such as **Cameco** (TSX:CCO)(NYSE:CCJ) and **Crescent Point Energy** (TSX:CPG)(NYSE:CPG).

Cameco

Cameco stock has done very well in the last 12 months by appreciating about 20%. However, it's not the type of investment that you can buy and forget.

As one of the largest producers of uranium, Cameco's profitability is more or less based on the demand and pricing for the commodity. Its uranium products are used to generate electricity in nuclear power plants.

Take a look at Cameco's long-term price chart on Yahoo Finance to see how volatile the stock is. Particularly note that the stock has actually fallen about 27% in the last five years, despite the recent boost in its stock price.

From 2014 to 2017, Cameco's revenue declined 10%, and the company operated at a loss in 2016 and 2017 based on GAAP earnings. So, it wasn't surprising that Cameco cut its dividend by 80% from

2017 to 2018.

In the first nine months of the year, Cameco turned a profit with diluted earnings per share of $0.02, which was much better than prior year's -$0.36. If its profits continue to rise, the stock should head higher.

Thomson Reuters currently has a 12-month mean target of $16.90 per share on the stock, which means there's 4.8% near-term upside potential. So, the stock looks, at best, fairly valued right now.

Crescent Point Energy

Crescent Point stock has been in a downward trend for multiple years. In the last five years, it has fallen almost 90%. So, it's certainly not the type of investment that you can buy and forget.

It seems to have been a futile effort to try and pick a bottom in the stock, as the energy sector and particularly oil and gas producers have faced great challenges in the environment they operate in.

Canadian oil and gas producers have suffered as the WTI oil price has fallen from roughly US$70 per barrel to about US$51 per barrel in about two months. To make matters worse, Canadian oil tends to sell at a discount to WTI, partly because there are costs involved in transporting oil to U.S. refineries.

Oil and gas producers like Crescent Point are challenged by the lack of access to its markets with pipelines operating at full capacity. Some producers have even resorted to transporting oil by rail to the U.S.

Investor takeaway

Can Cameco stock head higher from here? Will there be a time for Crescent Point to shine again? It depends on the prices of the underlying commodities as well as the companies' abilities to manage costs.

One thing is certain — investors can't leave these stocks unattended. These stocks require much more attention than the ones that have a track record of increasing their profitability.

CATEGORY

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

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. NYSE:CCJ (Cameco Corporation)

2. NYSE:VRN (Veren)
3. TSX:CCO (Cameco Corporation)
4. TSX:VRN (Veren Inc.)

PARTNER-FEEDS

1. Msn
2. Newscred
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kayng