



2 Cheap Stocks That Could Soar This Year

Description

There are two stocks I'm watching closely that could have a lot of upside this year for very different reasons.

The first is **Cameco Corp** ([TSX:CCO](#))([NYSE:CCJ](#)), which has been kept down as a result of low uranium prices. However, in the past few months, we've seen the commodity start to rise in value as production cuts are finally showing evidence of having a positive impact on price. At less than US\$22/lb at the start of 2018, the price for uranium reached over US\$29/lb in November. Since the latter half of 2016, the commodity was struggling to make any progress and was often hovering around US\$20/lb.

It's been a long road, but it's definitely a big improvement that could have a significant impact on the company's long-term performance. In three of its past five quarters, Cameco has finished in the red even though its costs weren't out of control.

The proof is in the gross margin, where in the trailing 12 months, Cameco's cost of sales have been 84% of its top line. In 2015, before we saw uranium prices start to fall, cost of sales were around 75%. Although that still resulted in a slim gross margin, it helped the company stay out of the red. From 2013 to 2015, Cameco averaged a profit margin of 7.5%, so even a small change in gross profit could have a big impact on its bottom line.

Cameco's management recently announced that it would be [slashing its dividend and production](#) in order to cut expenses even further. It's an unfortunate situation, as commodity prices are out of the company's control, so it's left to try and minimize costs however it can. Now that prices are seeing some upward movement, there could be some big profits ahead for Cameco if low costs are accompanied with stronger revenues.

At a price-to-book (P/B) ratio of only 1.3, Cameco is a solid buy and a stock that could generate significant returns for investors if we continue to see uranium prices rise.

Another stock to watch is **Enbridge Inc** ([TSX:ENB](#))([NYSE:ENB](#)). The company could benefit from a different commodity price increasing in value: oil. Although West Texas Intermediate (WTI) prices have

been dropping lately, we've seen the reverse happen for Western Canada Select (WCS). At barely over US\$11/barrel just a few months ago, [cuts by the Alberta government](#) have already had a big impact with WCS recently reaching over US\$44/barrel.

The gap between WCS and WTI has gotten a lot tighter. If that continues to be the case, it could mean a stronger oil and gas industry in Alberta. And more activity is going to mean a lot more business for Enbridge. Many oil and gas producers have cut back on capital spending as a result of bearish outlooks for the industry, but stronger prices could change that in a hurry.

At a P/B of 1.6, Enbridge is still a good value buy despite rising more than 14% in the past month. Investors also get a great dividend of 5.5% just from owning the stock.

CATEGORY

1. Energy Stocks
2. Investing

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2. NYSE:ENB (Enbridge Inc.)
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Date

2025/08/26

Date Created

2019/01/22

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