

Buy Alert! 3 Fresh Bay Street Upgrades You Need to Know About Right Now

Description

Hi there, Fools. I'm back to highlight three stocks that were recently upgraded by Bay Street. While it's always best to take professional ratings with a healthy dose of skepticism, newly upgraded stocks can often be a good starting point for further research.

Remember, it's the investment thesis behind the upgrade — not the upgrade itself — that should matter to us most.

So, without further ado, let's get to it.

First things first

Leading off our list is **First Quantum Minerals** ([TSX:FM](#)), which was upgraded by CIBC to outperform from neutral early last week. Along with the upgrade, CIBC analyst Oscar Cabrera maintained his price target of \$16 per share, representing about 22% worth of upside from where the stock currently sits.

Despite near-term political risks, Cabrera thinks that First Quantum is on track to have “one of the best” copper growth profiles in the industry. Moreover, Cabrera says that completion of the Cobre Panama project significantly boosts First Quantum's free cash flow potential — from just \$80 million in 2018 to a whopping \$890 million in 2020.

A decline in copper prices still poses the biggest threat. But with First Quantum shares still down 31% over the past six months — versus a loss of 8% for the **S&P/TSX Capped Materials Index** — aggressive investors might want to pounce.

MEGA value

Next up is **MEG Energy** ([TSX:MEG](#)), which was upgraded to buy from hold by TD Securities on Wednesday. Along with the upgrade, TD changed their price target on the stock to \$7 per share, representing about 27% worth of upside from where the stock sits now.

MEG shares naturally plummeted when Husky Energy dropped its bid for the company earlier this month. But TD, along with several other Bay Street firms like Desjardins and Raymond James, believe the risk/reward is now too juicy to pass up. With oil prices stabilizing and MEG's production continuing to grow, it's tough to disagree with that sentiment.

MEG stock is now off a whopping 46% over the past three months versus a loss of 12% for the **S&P/TSX Capped Energy Index**. As long as you can handle the volatility, it's an intriguing contrarian play.

Electric opportunity

Rounding out our list is **TransAlta** ([TSX:TA](#))([NYSE:TAC](#)), which National Bank Financial upgraded to outperform from sector perform on Wednesday. Along with the upgrade, National Bank maintained its price target on the stock of \$8 per share, representing about 14% worth of upside from where it sits now.

TransAlta had a disappointing end to 2018, but Bay Street is finally catching on to the company's strong business momentum. Year-to-date, free cash flow is up \$199 million to \$526 million, while net debt is down through the early redemption of its \$400 million bond (due in 2019).

"With one of the strongest balance sheets in the industry, we are well positioned to generate strong cash flows over the long-term," said President and CEO Dawn Farrell.

TransAlta is up 26% over the past month versus a gain of 11% for the **S&P/TSX Capped Utilities Index**.

The bottom line

There you have it, Fools: three newly upgraded stocks worth checking out.

As always, don't view them as formal recommendations. They're simply ideas for further due diligence. The track record of Bay Street analysts isn't exactly impeccable, so plenty of homework is still required.

Fool on.

CATEGORY

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

TICKERS GLOBAL

1. NYSE:TAC (TransAlta Corporation)
2. TSX:FM (First Quantum Minerals Ltd.)
3. TSX:TA (TransAlta Corporation)

PARTNER-FEEDS

1. Msn
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