



Which of These Stocks Has More Upside?

Description

There are a lot of articles out there touting the worth of **Cameco** ([TSX:CCO](#))([NYSE:CCJ](#)) and **Encana** ([TSX:ECA](#))([NYSE:ECA](#)). Both stocks are undervalued, and both have promising futures ahead of them.

But there's a nasty word called *recession* being used a lot lately, too. So, honestly, if you're looking to make any new investments, you may be willing to only put a bit into one of these companies.

So, when it comes to Cameco or Encana, which stock is better suited for your portfolio?

The case for Cameco

To be fair, I write about Cameco quite a bit. I really do believe that the uranium boom is coming, and when it does, Cameco is set up for success. I've written a few times about Cameco's dependence on China, where the country is moving away from coal and looking to expand into the uranium market by building about 50 brand-new reactors. This alone is exciting, but there are a number of new reactors being built across the world and old ones getting ready to go nuclear any time now.

The new reactors elsewhere are great, but Cameco is really depending on China. If anything should happen to get in the way of the reactors being built, or if China starts mining its own uranium, Cameco could be in some serious trouble. But honestly, that doesn't look too likely at this point.

Where the real problem lies is with the Fukushima nuclear reactor disaster. [People are still wary of using uranium](#) after such devastation, with Germany, for example, shutting down its entire nuclear fleet by 2022. Should another disaster happen, it would be tough for uranium to ever get going again.

But honestly, these are worst-case scenarios. For the short term, it's true, this stock likely isn't going to go very high. But if you're looking for a stock to buy and hold for years, then this could be an amazing deal. If we look back at where Cameco stood before the Fukushima disaster, the stock was trading in the mid-\$50s! That means if you were to invest just \$10,000 at the price as of writing this article at \$15.85 and hold onto it until 2023, when analysts suspect a uranium deficit would emerge, you could have almost \$35,000!

The case for Encana

Now onto Encana, where the case is almost reversed. Where Cameco has a slightly poor short-term future but a potentially promising long-term outlook, Encana is on the flip side. Just like Cameco, this stock is undervalued by a few dollars, with analysts thinking a fair value is closer to \$12 per share rather than the about \$9 it's trading at while I'm writing this article.

Where Encana is strong is during a time like this, when natural gas is getting hit hard. The company is set up for a situation just like this one; if necessary, Encana can sustain itself amid low commodity prices for an extended period of time. I mean, it's not ideal, but it can do it.

But investors haven't been giving Encana a fair shake recently. That's partly because analysts believe the company overpaid for recent assets such as Eagle Ford, Permian, and the Newfield acquisition. The result was a massive sell-off by investors, and now analysts are saying the stock is oversold. So, it's good news if you're looking to get in now!

And you might want to, given that [when gas prices do finally turn around](#), Encana is shifting towards high-margin liquids production, which should significantly boost profitability and returns. As investors start realizing they may have overreacted with the massive sell-off, this stock shouldn't stay down for long. In fact, it should head on a steady incline, reaching perhaps \$15 by the end of 2020.

Which is better?

This is a difficult choice, because there is such a potentially huge upside for Cameco, but Encana has remained on a steady incline for years. If you're looking for a safe choice, I would go with Encana. I know, I'm surprised, too! If you've read my other articles, again I truly do believe uranium will make a comeback, but it's unclear when it might really get underway. In the meantime, Encana is massively underpriced and is set up for a bright not-too-distant future. Whereas Cameco is a bit more of a gamble, Encana is a stock you can hold onto for years and likely see quite a bit of gain.

CATEGORY

1. Investing
2. Metals and Mining Stocks

TICKERS GLOBAL

1. NYSE:CCJ (Cameco Corporation)
2. TSX:CCO (Cameco Corporation)

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