1 Stock Under $6 to Buy and 1 to Avoid

Description

Stocks that are valued at under $5 a share are referred to as penny stocks. The obvious benefits to investing in these penny shares are the low price and tremendous upside potential. Consider the case of **Monster Beverage**, which shot up 7,900% from US$0.70 a share and is currently trading at US$56.08 per share.

However, these benefits also come at a cost to the investor, mainly because the stocks are very volatile. Such stocks represent small companies that do not have a firm grasp on the industry. As such, these companies are prone to going bankrupt due to minimal resources or taking risks. While investing in penny stocks, you have to be aware of the risks involved before placing that order with your broker.

Which stocks are under $6 right now?

Since cheap stocks carry a higher amount of risk, you can always increase your chances by making careful and informed selections. At the moment, these are two cheap stocks valued at under $6 that may be the next big thing.

Rogers Sugar

Rogers Sugar (TSX:RSI) is a favourite among investors because it has been issuing dividends for the past 10 years. It is always a good sign when a company issues dividends to its investors as it keeps them invested. Nevertheless, there are some alarming things about this company that you may want to consider.

This company's payout ratio was 91% of its profits in the previous year ended June 30. When a company pays out dividends at such a high proportion, you have to start wondering about its motives.

Additionally, it was reported recently that the company's chairman M. H. Ross sold 35.5% of his shares in the company worth $208,000 at $5.19 each. By selling his stock at lower-than-market prices, that might indicate Ross's lack of confidence in the performance of the stock. It is perhaps for this reason that some experts have also lowered their price target from $6 to $5.50 lately.

Yamana Gold

While market experts and investors are cutting their bets on Rogers Sugar, they are simultaneously doing the opposite with **Yamana Gold** (TSX:YRI)(NYSE:AUY).

This increasing interest in the company started after it announced Q2 results for the 2019 fiscal year on July 25. During the quarter, revenue went up by $27.8 million to reach $463.5 million and EPS of $0.03. By the end of the 2019 fiscal year in December, you might earn up to $0.06 per share based on the company’s performance so far.

There are lot of gains to be expected from this company after it increased its copper and gold reserves by 21% and 12%, respectively. The sale of Chapada mine for over $1 billion and the subsequent use of this money for debt reduction also indicate a bright future for the company’s investors. Therefore, this is one cheap stock currently valued at $3.62 at the time of writing that might increase significantly in the years to come.

Which one takes the gold?

Yamana Gold is to be favoured over Rogers Sugar for profitable investment in the future, and most experts agree. This is definitely the company you should keep an eye on when searching for a cheap stock to buy.

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2. TSX:RSI (Rogers Sugar Inc.)
3. TSX:YRI (Yamana Gold)

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