Why This Canadian Value Stock Is a Screaming Buy

Description

Value investing just can't catch a break. The bull market — remember that? — was all about chasing upside. Value investors and contrarians were rubbing shoulders. Now comes the coronavirus, and not only is nobody rubbing shoulders anymore, but value investing is just as unpopular. But again, the contrarian thesis is strong here. There are a bunch of names that are simply reviled at the moment.

It makes sense that this should bring out the bargain hunters. And it has, to an extent. There have been rallies that have seen some beaten-up names recover. But these rallies have been short-lived and, for the most part, were the result of short-seller action combined with false hope. The markets are still looking for direction. And while rallies are reassuring, no recovery will be sustainable until there is a vaccine.

Indeed, the vaccine is the market crash backstop. But until a vaccine is developed, distributed, and proven to be effective, any market recovery will be shaky. That's why value investors have some time on their hands to build positions in battered names at knock-down prices. This is no time to wait for the bottom before splurging on stocks. Instead, it's time to start slowly feathering a TFSA or RRSP with bargains.

Upside versus downside in value stocks

Look at your entry points and try to figure out where you would like to start buying. It can help to look at analysts' estimated price targets here. For instance, if you want to buy **Cameco** (TSX:CCO)(NYSE:CCJ), a good example that has more upside than downside, the name currently trades at its low target of $14 a share. A high target price of $18 would reel in around 30% upside.

Why else should Cameco be on your radar? Let's examine the thesis for buying a uranium stock in the current market. Uranium is undervalued and has been for some time. The situation isn't too dissimilar to the oil glut that tanked prices in the black gold. Except that uranium is far from free, is nowhere near to trading for negative dollars, and is not under threat from clean energy headwinds.

It's quite the reverse, since uranium is a play for clean energy itself. Cameco is therefore a buy for any investor looking to divest oil shares. However, one of the reasons why uranium gets overlooked is the safety aspect. Ethical investors may be wary of swapping one risky sector for another.

The Fukushima disaster is not yet a distant memory, after all. Even the bullishness of Bill Gates on nuclear energy may not be enough to bring some investors around. But the thesis for gaining exposure to uranium is mounting. This trend will continue, as governments get on board amid a cratering hydrocarbon market.

The bottom line

Cameco is a particularly strong play as the markets begin to look for an alternative to the oil industry. Disorderly closure of oil networks will mean that, although cheap oil benefits the industries that use it, its actual production will become untenable. Investors should keep an eye on uranium as a source of green power upside.

CATEGORY

1. Coronavirus
2. Dividend Stocks
3. Energy Stocks
4. Investing
5. Metals and Mining Stocks
6. Stocks for Beginners

TICKERS GLOBAL

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

PARTNER-FEEDS

1. Business Insider
2. Msn
3. Newscred
4. Sharewise
5. Yahoo CA

Category

1. Coronavirus
2. Dividend Stocks
3. Energy Stocks
4. Investing
5. Metals and Mining Stocks
6. Stocks for Beginners

Date
2025/08/26
Date Created

2020/04/30
Author
vhetherington