



Investing \$2,500 in These 2 Stocks Could Make You a Fortune

Description

Do you have an extra \$2,500 available to you today? If so, here are two value stocks to invest in today: **Cenovus Energy** ([TSX:CVE](#))([NYSE:CVE](#)) and **Baytex Energy**. Investing in oil and gas stocks has never been easy. The oil and gas industry is a highly cyclical one. And this translates into a lot of volatility. But those of us that get it right stand to gain big from the extreme upside that can exist.

Today, nobody wants to hear about oil and gas stocks. The commonly held belief is that this industry is dead or dying. But typically, holding onto the common belief is not the best way to invest. As an example of this, we have to look no further than the Canadian cannabis industry. Not too long ago, the commonly held belief was that cannabis stocks had nowhere to go but up. [A massive bubble followed](#). Today, this bubble has burst, and many investors who followed the crowd into this trade have been hurt.

Back to the oil and gas industry. This industry is at the breaking point after a lot of pain and many real problems. But what if this means that many quality oil and gas stocks are actually trading far below their true value? If you believe that we will still need oil and gas for many years to come, as I do, then this sector should grab your attention.

Warren Buffett says to buy when others are fearful

When everyone is selling, we can look to buy attractive quality stocks at bargain prices. This is a motto that Warren Buffett has sworn by and one that has contributed to his huge success. Today, everyone is selling oil and gas stocks. [I recently wrote about three quality energy stocks to buy](#). Today, I will review two more oil and gas stocks that are higher risk. But those who are prepared for this risk stand to gain massive returns. Warren Buffett stands firmly in his calls that go against the market. So can we.

Cenovus Energy stock: A solid stock to invest in with ample liquidity

Cenovus Energy stock has already rallied 163% from its March lows. This came to be as oil prices strengthened by as much as 200%. Cenovus benefits from being one of the best. The oil and gas industry is going through a “survival-of-the-fittest” exercise. Cenovus has ample liquidity that will ensure its survival. Management has focused on its balance sheet, its credit facilities, and on driving down costs for a long time. In the last couple of months, this has been an even greater focus. Management estimates that its all-in cash breakeven point is at \$38 WTI oil. On an operating cash flow basis, the breakeven point is \$33 WTI oil. Today, oil is trading at over \$34.

There is a slow recovery in demand that is happening as economies re-open. There has been and continues to be massive production shut-ins. Company failures are not far behind. This will set the stage for better days ahead for the survivors.

Baytex Energy stock: A speculative stock to buy with the potential for massive reward

Baytex Energy is already rallying 34% since March lows. Oil prices have rallied as much as 200% and are holding firm at just above \$34. Baytex is the more speculative of the two energy stocks discussed in this article. Baytex has cut its spending and production. Although 2020 will be a very difficult year for the company, its assets are of high quality and its operations are efficient. Baytex also has a diverse production base which will help it to sustain its operations in difficult times.

Foolish bottom line

In a world where the oil and gas industry recovers, Cenovus stock and Baytex stock will provide investors with exceptional returns. These are high-quality companies that can be snatched up today at what may be proven to be huge discounts. Low expectations for energy stocks will work in our favour.

CATEGORY

1. Energy Stocks
2. Investing

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2. TSX:CVE (Cenovus Energy Inc.)

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