Contrarian Investors: 1 Cheap Stock With Huge Upside Potential in 2021

Description

The stock market rebound since the March crash already wiped out many of the great 2020 deals. Despite the strong recovery, some stocks still remain cheap and could deliver massive gains for contrarian investors as the global economy recovers in 2021.

Commodities play

Tech and biotech stocks are at new all-time highs. Commodity stocks, however, continue trade at discounted prices due to weak market conditions. Lockdowns imposed to slow the spread of COVID-19 hammered global energy demand and put infrastructure projects on hold. Governments are now working through reopening phases and launching unprecedented fiscal stimulus programs.

After Japan, the United States and Canada currently lead the way when it comes to stimulus bazookas, which bodes well for the economies of the two countries.

The EU is expected to deliver a massive effort to boost growth in the region and ensure the ongoing existence of the economic bloc and the Euro. China also needs to get growth back on track to maintain social stability and put added pressure on the United States in the globe economic arena.

The stimulus efforts should drive a rebound in demand for commodities. Companies that produce base metals and oil could see a sharp reversal of fortunes. The miners and oil producers are among the worst hit during the crisis and could be the two groups that see surprise recoveries next year.

Risk?

A second wave of the virus could force renewed lockdowns and result in a recovery that is U-shaped or even L-shaped rather than the anticipated V-bound. In that scenario, oil producers and base-metals miners could remain under pressure.

Nonetheless, the upside potential at this point likely outweighs the downside risks. Let's take a look at one commodities producer that appears oversold right now and could deliver significant returns.

Teck Resources

Teck Resources (TSX:TECK.B)(NYSE:TECK) is best known as a leading supplier of steel making coal, copper, and nickel. It is also involved in oil production through its stake in the Fort Hills oil sands project.

As infrastructure projects ramp up around the planet, the demand for steel should rise, resulting in an improvement in demand and pricing for metallurgical coal. Copper could also surprise to the upside. The metal is a major component in the construction of wind turbines and solar panels.

Technology has improved to the point where solar installations compete at an unsubsidized level with other forms of power generation. Wind farm costs are also dropping, driving stronger interest in the renewable power assets. The push to move to more renewable energy sources in the coming years could see added stimulus money directed at these sectors.

Teck trades near $14.50 per share at the time of writing. That's down from $22 at the start of the year and off the two-year high around $38 in 2018. The stock dipped below $9 in March.

Long-term followers of Teck know it tends to follow cycles of fantastic rallies and equally stunning crashes. Timing is important, and we could be in the early innings of the next major move to the upside.

The bottom line

Teck isn't for the faint of heart, however. The stock could retest the March low if the broader market tanks again in the coming months.

However, the company has a solid balance sheet and appears attractive right now as a contrarian play on the global economic recovery over the medium term.

If you have some cash on the sidelines, Teck deserves to be on your radar.

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Date
2025/08/25
Date Created
2020/06/25
Author
aswalker