



Contrarian Investors: 2 Oversold Stocks to Buy for 2021

Description

The stock market rally off the March low has wiped out most of the great deals, but investors still have a chance to pick up [oversold](#) stocks that could surge next year.

Let's take a look at two cheap stocks that might be interesting picks for a [contrarian](#) portfolio today.

Canadian Natural Resources

Canadian Natural Resources ([TSX:CNQ](#))([NYSE:CNQ](#)) is a major player in the Canadian energy sector. The assets span the full spectrum of the energy commodities sector, including oil sands, conventional heavy oil, conventional light oil, offshore oil, natural gas liquids, and natural gas.

CNRL finished Q1 2020 with \$5 billion in available liquidity, so its balance sheet is in solid shape to ride out the turbulence in the energy market. The company owns 100% of most of its assets, giving management flexibility with the capital program. The diverse asset base is also a bonus, as CNRL can shift capital to the best opportunities as market conditions change.

In the Q1 2020 report, CNRL said it will spend about \$2.7 billion in 2020, instead of the originally planned \$4.1 billion. Despite the capital cutbacks, CNRL is targeting higher oil and natural gas production compared to 2019.

The board raised the dividend by 13% earlier this year, representing the 20th consecutive annual increase to the payout. In May, the company said it intends to maintain the distribution. CNRL has a low breakeven point at US\$30-31 per barrel.

The stock trades near \$25 per share at the time of writing compared to \$40 at the beginning of the year. Investors who bought at the March low are already sitting on nice gains, but more upside should be on the way.

WTI oil is back above US\$40 per barrel. As the global economy recovers and demand rises, some analysts see oil surging over the next couple of years. Hundreds of billions of dollars in investment cuts

across the industry could result in tight supply conditions.

Oil might not get back to US\$100 per barrel, but a run above US\$60 wouldn't be a surprise by the end of next year. In that scenario, CNRL appears very cheap right now. Investors who buy the stock at the current price can pick up a 6.7% dividend yield, so you get paid well to wait for the recovery.

Teck Resources

Teck Resources ([TSX:TECK.B](#))([NYSE:TECK](#)) produces steel-making coal, copper, and zinc. The company is also a partner in the Fort Hills oil sands facility.

Gold has been the hot metals story in 2020, but copper is also making a strong move. In fact, the base metal now trades at close to US\$3 per pound compared to \$2.10 in March.

Fiscal stimulus spending by governments around the globe should drive strong copper demand in the next few years. Steel production should also increase, which would provide a lift for metallurgical coal producers.

Teck's share price has a history of going through wild swings. Investors who catch the stock near the cyclical bottoms normally do very well. Teck traded for more than \$33 last year and hit a March closing low around \$9 per share.

A gradual rise has occurred in the past four months and the upward trend could pick up steam through the end of the year and into 2021. At the time of writing, Teck trades near \$15. It wouldn't be a surprise to see the share price retest \$30 by the end of next year.

The bottom line

CNRL and Teck Resources are top-quality commodity stocks with strong balance sheets. The share prices appear cheap right now, and contrarian investors could realize big gains over the next 12-24 months, as the global economic recovery takes hold.

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2. NYSE:TECK (Teck Resources Limited)
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