Get Rich: 2 Cheap TSX Stocks to Buy in August 2020

Description

The ongoing COVID-19 crisis has increased the stock market volatility worldwide. Earlier this year, most **TSX** stocks tanked sharply as investors started paying attention to how the pandemic could affect business fundamentals in the quarters to come. Many of the stocks — that witnessed a sell-off in the first half of 2020 — started recovering in July in hopes of better future growth prospects.

Let’s take a closer look at two of these rallying Canadian metal and mining stocks that still look really cheap to buy right now.

Two cheap TSX stocks to buy

First Quantum Minerals (TSX:FM) and **Teck Resources** (TSX:TECK.B)(NYSE:TECK) are two well-known Vancouver-based metal and mining companies. Both of them have a market cap of between $8 and $9 billion each.

Apart from being nickel and gold producer, First Quantum is primarily a copper miner, whereas Teck Resources mainly focuses on copper, zinc, and metallurgical coal production. Their business model makes these companies dependent on industrial growth.

In the first quarter, the shares of First Quantum and Teck Resources nosedived by 45.4% and 52.6%, respectively. However, they showcased a massive recovery in the second quarter. In Q2, Teck Resources stock rose by 33.3%, and First Quantum registered over 50% rise.

In the ongoing quarter, their stocks are extending these gains. While First Quantum Minerals stock has risen by 8% in the last 10 days, the shares of Teck Resources have rallied 11.1% during the same period.

Crushing estimates

In the second quarter, First Quantum reported revenue of US$1 billion — better than analysts’ estimates of US$984 million. It reported adjusted net loss of US$0.12 per share in Q2 — also significantly better as compared to an expectation of US$0.18 loss per share. First Quantum's copper production from its Zambian operations remains strong despite the ongoing pandemic related challenges.

Similarly, Bay Street analysts were expecting Teck Resources to report adjusted net loss of $0.10 per share in the second quarter. Surprisingly, Teck proved them wrong by reporting an adjusted net profit of $0.17 per share. Teck Resources is currently focusing on its long-term strategy of copper growth from steelmaking coal and zinc that could pay off well in the long run.

Rising expectations from the metal and mining industry

As investors' fears about slowing global economy — especially in China and the US — rose due to the pandemic, the shares of these two companies took a hit. Nonetheless, recent better-than-expected Chinese industrial production figures seem to have helped investors regain confidence and reinstated their faith in the metal and mining industry.

Notably, China's industrial production figures released in July beat estimates for the third consecutive month.

Foolish takeaway

As the COVID-19 crisis gradually subsides, I expect the metal and mining industry to regain strength. This strength could continue to fuel the ongoing rally in the shares of companies like First Quantum Minerals and Teck Resources going forward.

These are some of the key reasons why I would recommend active as well as conservative investors to buy the shares of these two companies right now.

On a year-to-date basis, Teck Resources is still trading with 30.7% losses and First Quantum Minerals is down by 3.8%. With improving global industrial growth prospects, I expect these cheap stocks to not only recover at a fast pace but to outperform the broader market by a wide margin and make their investors rich.

CATEGORY

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TICKERS GLOBAL

1. TSX:FM (First Quantum Minerals Ltd.)
2. TSX:TECK.B (Teck Resources Limited)

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