



These 3 Cheap Stocks Will Soar in 2021

Description

Looking for cheap stocks to buy for a recovery rally? There are some compelling options out there.

Air Canada is perhaps the most obvious candidate for a contrarian buy on weakness. But why reinvent the wheel? While there's a temptation to overthink the current market, it's the simple ideas that seem to pack the most weight. The pandemic has beaten up aviation stocks. Logic dictates that an end to the pandemic will bring an improvement.

“What went down must come up”

The recovery of the insurance industry is a tough one to call. On the face of it, a reversal of pandemic market forces will logically see an improvement in the sectors they've impacted. However, insurers such as **Manulife Financial** are likely to be dealing with the aftermath of the pandemic long after it's abated.

That said, though, names like Manulife could soar on a wave of bullishness driven by a relief rally that glosses over such nuances. Just as the pandemic has been characterized by feverish buying, a [relief rally](#) could breed momentum just as divorced from economic realities. Investors should be away of this kind of doublethink and choose between near-term market upside or long-term economic viability.

The barbell stock-buying strategy

One way to do this is to make use of a [barbell portfolio strategy](#). In fact, a pandemic and its logical cessation make for the perfect opportunity to wheel out this form of investing. The low-risk income investor will be well advised to carry on holding “safe” stocks at one end of the barbell. At the other end, though, riskier near-term upside is the goal. And for this, pandemic-impacted quality makes the perfect addition.

Canadian Natural Resources has its issues, just like anybody else pumping the black gold in this tire fire of a year. However, a 7.6% dividend yield isn't one of them. Matching some pretty good growth potential with an above average dividend yield, CNQ is also dirt cheap. The last 12 months have bitten

a third off CNQ's market price. However, that's been turning around of late, with the name flat on average over the last four weeks.

It was interesting to watch the Trump vs. Biden debate Thursday night. At one point, cornered by the president, the former VP stated that he would "transition out of oil." It was, as both candidates agreed, a "big statement." But the fact is that no solitary leader will ever get everything right about hydrocarbons. And at base, oil is unlikely to go the way of the dodo in 2021 just because a Democrat is in the White House.

There are two good reasons why Canadian oil and gas stocks will improve next year. First of all, the political climate is likely to be dominated by the economic one. Imagine a world after the pandemic in which consumer spending is up, energy consumption is up, and yet politicians still have a recession to deal with. The answer is likely to involve propping up the oil industry.

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