Buy This 1 TSX Stock and Get Ready for Explosive Value Investing

Description

December is going gangbusters with Initial Public Offerings (IPOs). The year 2020 has already been a red letter year for companies going public. And this month is seeing the trend continue with a glut of tech stocks making their initial offerings. But are any of these names worth adding to your portfolio of solid **TSX** stocks? Coming at what is hopefully the tail end of the pandemic, another investment style altogether could be on the ascendant.

Forget hot stocks and look at beaten-down names

TSX stock investors can make use of hype. The pandemic has created the hype-driven market of a generation. Big upside has materialized in strange places that only a rare investor indeed could have foreseen in 2019. Tech stocks have rocketed, alongside a contrarian hybrid of value and momentum investing. Growth stocks like **Lightspeed** have been rubbing shoulders with profoundly impacted names such as **Canadian Natural Resources** (TSX:CNQ)(NYSE:CNQ).

Growth investing has become the norm as speculation in the profound societal shifts caused by the pandemic continue to proliferate. But this could flip over into value investing before too long. This handover is likely to happen in the new year as a full scale recovery (one hopes) begins to reinvigorate the stock markets. The intermediary stage is likely to be characterized by froth and maybe even a few more corrections.

Growth investors switching over to value investing is a simple thesis on the face of it. The year 2020 was all about strong positive momentum being driven by digital stocks positioned for a socially distanced world. A recovery will turn this strategy on its head. Momentum in 2021 is likely to come from the turnaround in beaten-up sectors. Travel, hospitality – all of the areas that suffered the most during the pandemic.

One TSX stock that could find itself caught in the crossfire is the aforementioned CNQ. Earnings growth could top 100% annually in the next couple of years. Now match this with decent valuation and a solid dividend. Selling at 35% off its estimated future cash flow value, CNQ's current P/B ratio of 1.1

times book denotes a reasonably priced name. CNQ's 5.3% dividend yield is correspondingly rich.

Energy stocks are in position for high growth

CNQ's consensus price targets range from a low $20 to a high $47. That's downside potential of a third and upside potential of around 45%. With oil still nudging all-time lows, though, the outlook for fossil fuel stocks suggests that these types of names are all upside. In other words, the only way for these stocks to go from here is up. And, of course, the other good thing about the low oil market is that dividend yields are plump.

The industrial thesis is tentatively bright for oil in 2021. A broad reopening of the economy could see these names improve in the near- to mid-term. And as growth investing switches over to value stocks, beat down Canadian names like CNQ could really take off. Though it's still down 17 year on year, the last three months have seen CNQ bounce 35%. In summary, that growth could be just a taste of things to come as the world emerges from this grueling pandemic.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

TICKERS GLOBAL

1. NYSE:CNQ (Canadian Natural Resources)
2. TSX:CNQ (Canadian Natural Resources Limited)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Yahoo CA

Category

1. Dividend Stocks
2. Energy Stocks
3. Investing

Date
2025/07/26
Date Created
2020/12/11
Author
vhetherington