Buy This 1 High-Quality Value Stock for a 2021 Recovery

Description

Fear and greed are the two sentiments that most powerfully both predict and control the stock market. The contrarian style of investing takes this thesis and inverts it. As Warren Buffet proscribes, investors should be fearful when the market is greedy, and vice versa. At the moment, the market is exhibiting greed. To a value investor, this is the time to trim assets, raise liquidity, and make shopping lists.

Mixing stock buying strategies in 2021

Growth, oil, and dividends are three of the most searched for terms when it comes to investing. And next year could see a thesis involving all three come to fruition. It might seem the spiciest of hot takes to posit that oil could have more upside than tech in the latter half of 2021. But this is a potential outcome of a full-scale social reopening and attendant recovery in consumer sentiment.

It seems logical to expect that a reversal of the social pressures of the pandemic would have an oppositional effect on the markets. Or, to put it another way, what goes up must come down. Investors focused on growth may therefore expect to see tech stocks take a battering in next year's third and fourth quarters. Conversely, beaten-up oil stocks may come roaring back from the dead at the same time.

When it comes to singling out stocks in distress, there are few hunting grounds more promising than hydrocarbons. The growth thesis for oil and gas producers has been dead in the water for some time. Even the most bullish pundits started to turn their back on the hydrocarbon fuel space before the pandemic. But the fossil fuel production industry is littered with quality picks that could come roaring back in the latter half of next year.

A distressed value play with quality indicators

Of course, names such as **Tourmaline Oil** (TSX:TOU) would need the right set of circumstances to see such gains. As it stands today, Tourmaline dazzles with its wildly mismatched market ratios. The P/E ratio in general can be misleading during times of economic crisis. It's worth noting, though, that

Tourmaline’s price is now is especially steep at around 90 times its earnings.

Other fundamentals paint a far better picture (or worse, depending on your investing style). This name sells at a 32% discount against its future valuation per projected cash flows. And in terms of actual assets, Tourmaline trades at just 60% of its book value. In short, this stock is oversold, and perfectly positioned for a recovery in gas and oil prices. Some investors seem to agree. The last 12 months have seen Tourmaline’s share price increase on average by 15%.

In terms of deliverables, Tourmaline is already a rewarding pick for investors bullish on the longevity of oil. A dividend yield of 3.3% is on the table. Debt to equity is also low at just 0.2, marking this stock out as a quality choice. And if analyst expectations of 180% earnings growth materializes, Tourmaline could really clean up. In summary, 2021 could see value theses like this one starting to pay off.

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TICKERS GLOBAL

1. TSX:TOU (Tourmaline Oil Corp.)

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