



2 Cheap Stocks to Buy Now

Description

The market rally off the 2020 crash wiped out most of the good deals in the **TSX Index**, but investors can still find quality cheap stocks for their [TFSA](#) or RRSP portfolios.

Should Barrick Gold stock be on your buy list?

Barrick Gold ([TSX:ABX](#))(NYSE:GOLD) struggled through several years of falling gold prices and high debt. At one point, it appeared the company would get crushed under its US\$13 billion debt load. The stock fell from \$50 in 2011 to below \$10 per share in 2015.

Management launched an aggressive turnaround plan that saw Barrick Gold restructure operations and sell off non-core assets. Rising gold prices helped the cause and Barrick Gold is now a different beast. The company ended [Q3 2020](#) with net debt of just US\$400 million and generated US\$1.3 billion in free cash flow.

The board raised the [dividend](#) by 12.5% when the Q3 numbers came out. This was the third increase to the payout in the past year. Investors should see additional dividend hikes in 2021 and beyond. Gold trades near US\$1,800 per ounce and should move higher amid a weakening U.S. dollar, low interest rates, and a global trend towards negative rates on government debt.

Investors often use gold as an inflation hedge. Analysts are increasingly calling for inflation to creep up in the next couple of years. At the same time, most central banks appear comfortable letting inflation move above historic targets before raising rates to keep it in check. It's not an issue today but is worth watching.

Barrick Gold's Q3 2020 all-in sustaining costs came in at US\$966 per ounce, so the company enjoys healthy margins, even if the gold price stays near current levels. Production for 2020 was 4.8 million ounces, hitting the guidance of 4.6 to five million ounces of the year.

Barrick also operates copper mines. Copper recently hit a seven-year high, so the market might not be pricing that into Barrick's stock. The dip in the share price in past few months could be attributed to

funds shifting to Bitcoin. When that bubble pops, gold and the gold miners should benefit.

Barrick Gold trades below \$30 per share at the time of writing compared to the 2020 high around \$40. It wouldn't be a surprise to see the share price take a run at \$45 in the next two years if gold drifts back up to US\$2,000, as many analysts expect.

Why Teck Resources is still a cheap stock

Teck Resources ([TSX:TECK.B](#))([NYSE:TECK](#)) produces copper, zinc, and metallurgical coal used for making steel.

Copper soared from US\$2.10 per pound last March to the current price near US\$3.60. Zinc is up about 50% over the same timeframe. On the coal side, Teck saw surge in demand from China in recent months. As global fiscal stimulus measure kick into gear this year demand for steel and copper should increase.

Copper is a key component in the manufacturing of wind turbines, solar panels, and electric vehicles. The renewables sector should attract significant investment as part of U.S. and European initiatives to drive a green recovery in their economies.

Teck Resources trades near \$25 per share. That's already way above the 2020 low around \$8, but more upside should be on the way based on the stock's performance in past cyclical recoveries. Once the global economy starts to get back on track in the second half of 2021 and 2022, copper and met coal prices should rise.

The bottom line on cheap mining stocks

Barrick Gold and Teck Resources have the potential to generate significant profits in the next few years. The stocks appear cheap right now and should deliver solid returns.

CATEGORY

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2. Metals and Mining Stocks

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2. NYSE:TECK (Teck Resources Limited)
3. TSX:ABX (Barrick Mining)
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