Global Economic Recovery: 2 Stocks That Still Look Cheap

Description

The stock market continues to hit new highs, and talk of a bubble is becoming more common. However, cheap stocks are still out there for savvy TFSA and RRSP investors.

Why Teck Resources stock appears cheap today

Teck Resources (TSX:TECK.B)(NYSE:TECK) bottomed out around $9 per share last March. Since then, the share price has steadily recovered and now trades near $24. Despite the solid rally, more gains should be on the way in 2021.

Teck produces metallurgical coal, copper, and zinc. Teck is also a partner in the Fort Hills oil sands project. Copper is arguably the main driver behind Teck's rally. The base metal trades near a seven-year high, supported by strengthening demand and a potential supply squeeze. Analyst predictions vary, but some say the price of copper could hit a record by 2022.

Copper is a key component in wind turbines, solar panels, and electric vehicles. Government stimulus measures around the globe are targeting renewable energy and green technology projects as part of their efforts to drive economic growth. This bodes well for copper demand in the next few years.

Traditional infrastructure investments will also be part of the mix. That should boost steel production and support a rebound in the steelmaking coal market.

At the same time, WTI oil has increased from US$37 a barrel last fall to US$57 at the time of writing. The extra US$20 per barrel will help boost Teck's cash flow from the Fort Hills facility.

Teck's stock rides the commodity cycle waves. The easy money has arguably been made, but the current run could take the share price to $40 in the next couple of years.

Why Suncor Energy still looks like a cheap stock

Suncor (TSX:SU)(NYSE:SU) trades near $22 per share. The last time WTI oil was at US$57 the stock traded at $44. All things being equal, the stock should be a screaming buy today.

Why is Suncor stock so cheap?

Suncor's downstream divisions, which include refineries and service stations, took a beating last year. Fuel demand is expected to slowly recover once pandemic restrictions ease. Global gasoline consumption is predicted to regain most of the 2020 losses by the end of the year. Jet fuel demand, however, won't rebound until airlines resume widespread international travel.

Suncor recently announced plans to pay down debt in 2021 and buy back shares. Oil currently trades above the company's US$52 average estimate for the year. If oil can hold or extend the gains, Suncor's results could surprise to the upside. Some analysts see WTI hitting US$65 per barrel in the coming months.

Suncor enjoys strong operating margins at current oil prices. As the oil rebound continues, the stock should start to find favour again with investors.

Volatility should be expected, but Suncor appears cheap right now if you believe the oil rally has legs. Investors can also pick up a 3.8% dividend yield.

The bottom line

Teck is a play on fiscal stimulus momentum and Suncor is more of a contrarian bet that oil demand will outpace expectations. The two stocks could deliver huge gains by the end of the year and appear attractive in an expensive market right now.

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