Forget GME: 1 Top Canadian Stock to Buy Instead!

Description

GameStop (NYSE:GME) stock is back in the news lately, as it's been rallying once again. The stock has seen a major increase in price, nearly reaching the levels it did last time around. And despite GME being well known to be extremely overvalued, investors continue to buy the stock, giving it major momentum.

GME stock currently has a consensus target price of just over $13. So, at Thursday's closing price of $260, the stock is worth roughly 20 times more than the consensus analyst target price. That means if it were to fall to that level over the next year, like analysts expect, investors who buy at these levels will see a whopping 95% loss of value.

Even at the stock's highest target price from analysts of $33, it still trades at a price that's over 7.8 times more than that. So, it's clear the stock is extremely overvalued today.

Of course, with the crazy returns we have seen in the last couple of months, it's obviously not impossible to make money buying GME. Buying the stock today, though, is pure speculation.

Investing in stocks that have momentum can be a solid strategy. However, investors should still be looking to own the business long term, which means the company has to be sound. Once you are speculating, you are essentially gambling your money, hoping that someone will be willing to buy GME stock higher than you in the future.

If the price tanks and you're stuck holding it, that won't be good. The stock has had momentum recently, but it's not a company you'll want to own long term, at least not if you buy it at these levels.

So, rather than GME, here is a top Canadian stock trading undervalued to buy instead.

Forget GME: Buy this high-quality energy stock for superior returns

There are several high-quality Canadian energy stocks that are recovering with rapid momentum today. One of the best to consider is **Peyto Exploration and Development** (TSX:PEY).

I would consider Peyto over GME stock today, because it has more potential in the short term. Plus, it's actually a high-quality business that you can own for the long term.

Peyto is a natural gas producer and one of the lowest-cost producers in Canada. This makes it one of the best stocks to buy in a natural gas industry that's slated to grow well into the future.

Natural gas is the cleanest form of fossil fuels that there is. So, the demand for natural gas is expected to grow rapidly over the coming decades, as the world cleans up the environment.

It will be impossible to switch off fossil fuel usage anytime soon, meaning it's going to be a long transition to 100% clean energy. That means that many are counting on natural gas to play a major role in filling the gap in the meantime.

This makes Peyto extremely attractive today and a much better investment than GME stock. Peyto has always been a great long-term business. So, now that it has a tonne of momentum and the entire energy industry is rallying, it's one of the best investments you can make today.

Bottom line

GME is a stock that's way overvalued in an industry that's been maturing for years. However, Peyto is one of the lowest-cost producers in an industry that will continue to grow for decades.

So, while there are several Canadian stocks investors should choose over GME, Peyto is one of the very best.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:GME (GameStop Corp.)
2. TSX:PEY (Peyto Exploration & Development Corp)

PARTNER-FEEDS

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2. Koyfin
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