2 Oversold Stocks to Buy in April 2021

Description

The **TSX Index** continues to hit new highs, but investors can still find oversold stocks that could deliver big gains by the end of the year.

Why Teck Resources stock looks attractive

Teck Resources (TSX:TECK.B)(NYSE:TECK) is Canada's largest diversified mining company. The firm produces steelmaking coal, copper, and zinc. Teck is also a partner in the Fort Hills oil sands project.

The stock took a beating during the worst of the market crash in 2020, dropping below $10 per share as global commodity prices tanked. Since then, a rally in copper and zinc help send the stock soaring. Teck hit a 2021 high near $30 in late February but has pulled back in subsequent weeks.

Copper prices rallied from US$2.15 a pound last spring to US$4.30 this winter. Profit taking and concerns about the impact of the third COVID-19 wave sent the price back to US$4 at the end of March. At the time of writing, copper trades near US$4.08.

Massive global stimulus programs should drive copper and steel demand much higher in the next few years. The United States intends to spend US$2 trillion on infrastructure projects. Europe has earmarked 1.8 trillion euros to rebuild the economy with a focus on green initiatives. Solar panels, wind turbines, and electric vehicles all use significant copper in their production.

The infrastructure boom bodes well for met coal and copper prices, as supplies could get tight.

Teck Resources has the potential to be a cash machine when commodity prices hit the top of their cycles. The stock isn't as cheap as it was a year ago, but the market might not be pricing in the scale of the opportunity in the next few years. There could still be huge upside before the end of 2021.

Why Kinross Gold is an oversold stock

Kinross Gold (TSX:K)(NYSE:KGC) trades near $9 per share compared to a high around $13 last September. The company is finally on the mend after expensive acquisitions at the height of the 2011 gold rally saddled the firm with debt and sent the stock plunging from $24 per share in 2009 to $2 in 2015.

Management has worked hard to get the balance sheet back in shape. Kinross finished 2020 with total debt of just US$1.9 billion and cash and cash equivalents of US$1.2 billion.

The company generated record free cash flow of US$1.04 billion in 2020, supported by strong production and rising gold prices. All-in sustaining costs were US$987 per ounce last year. At the current gold price of US$1,750 per ounce, the company is making good money.

Gold just hit a one-month high and could continue to rebound after the steep pullback from the 2020 peak last August.

Kinross expects production to grow by 20% to 2.9 million ounces in 2023. If gold maintains or extends its gains, this stock should soar.

The bottom line on oversold stocks

Teck Resources and Kinross Gold appear undervalued right now in an expensive market. Ongoing volatility is expected, but these stocks have the potential to deliver attractive returns in the next few years. The market might not fully appreciate the opportunity today.

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2. Metals and Mining Stocks

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2. NYSE:TECK (Teck Resources Limited)
3. TSX:K (Kinross Gold Corporation)
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