Got $1,000 to Invest? 2 Cheap Stocks That Could Double by 2022!

Description

The rally off the 2020 market crash has taken the **TSX Index** to new highs. Investors who missed the rebound are searching for cheap stocks that might still have decent upside potential.

Why Crescent Point Energy stock could soar

Investors who bought **Crescent Point Energy** (TSX:CPG)(NYSE:CPG) stock for $1 last year have chalked up some huge gains. At the time of writing, the shares trade for $5. The easy money has already been made, but more upside should be on the way if the oil bulls are correct.

Oil rallied from US$36 per barrel last fall to as high as US$66 in March and currently trades near US$63. The strong recovery and resilience of the oil market in the first part of 2021 caught many analysts by surprise. Coming into the year, most estimates called for an average price of about US$50 for the year.

Now, predictions for a jump to US$75 in the coming months are becoming more common. Some pundits even see oil spiking as high as US$100 in the next few years. The thinking is that a global economic boom will drive demand to the point where supply could get tight before global producers have a chance to ramp up output.

Crescent Point traded above $40 per share in 2014 when oil hit its last peak. The company has done a good job of selling of non-core assets in the past few years to get debt down to a manageable level. Crescent Point finished Q4 2020 with strong liquidity and is in good shape to benefit from rising oil demand.

Crescent Point expects to generate $600 million in excess cash flow in 2021 based on WTI oil averaging US$60 per barrel for the year. In the Q4 earnings report, the company estimated its net asset value to be $8.53 per share.

If oil prices take off, the stock could reasonably move a move back to $10, as investors flock back tothe energy sector.

Why Kinross Gold looks like a cheap stock today

Kinross Gold (TSX:K)(NYSE:KGC) went from $20 per share in 2009 to $2 in 2015. The meltdown occurred after Kinross made expensive acquisitions near the top of the last gold boom that saddled the business with huge debt. In recent years, management slowly improved the balance sheet through asset sales. The company has also benefitted from rising gold prices.

Kinross generated US$1 billion in free cash flow in 2020 and finished the year with cash and cash equivalents of US$1.2 billion. Total debt was US$1.9 billion.

The board started paying a dividend, and management expects production to increase by 20% by 2023.

The stock now trades near $9 per share. That's a multiple of just 7.6 times earnings. Kinross traded as high as $13 last summer when gold pushed above US$2,000 per ounce.

The gold rally took a break as bond yields soared, but the past few weeks have seen gold start to recover. Gold could catch a new tailwind as a hedge against inflation. A falling U.S. dollar should also support higher gold prices.

Kinross appears undervalued today, and a run to $18 wouldn't be a surprise if gold breaks above the 2020 high.

The bottom line on cheap stocks

Crescent Point Energy and Kinross Gold have likely put their worst days in the rearview mirror and could deliver significant returns for new investors through the end of 2021 and into next year.

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