Got $2,500 to Invest? 2 Cheap Stocks to Buy Right Now

Description

Canadian investors are wondering which stocks might still be good to buy after the massive rally in the past year wiped out most of the deals created by the 2020 market crash.

Why Crescent Point Energy stock looks cheap

Crescent Point Energy (TSX:CPG)(NYSE:CPG) went from $47 per share in 2014 to less than $1 at the bottom of the pandemic rout. Since then, the stock has recovered back to the current price near $5.

The plunge from the heights of the glory days came as oil prices fell and Crescent Point struggled with debt taken on to make acquisitions before the crash. In the past few years, Crescent Point slashed its dividend and sold non-core assets to get the balance sheet under control.

The Q4 2020 earnings statement shows net debt of $2.1 billion. The company reduced net debt by $615 million during the year. The current market capitalization is roughly $2.6 billion.

Management expects the business to generate excess cash flow of $600 million in 2021 if WTI oil averages US$60 per barrel. At this point, the oil market is ahead of that target, and it's possible the results could turn out to be even better. Crescent Point might get net debt down below $1.5 billion before the end of the year. This would make investors more comfortable with the stock and potentially send the share price higher through 2022.

Crescent Point has also started to do deals again. The company recently closed its acquisition of promising assets in the Kaybob Duvernay region.

WTI oil trades near US$63 per barrel at the time of writing. Analysts are starting to call for a run as high as US$80 before the end of the year. If that turns out to be the case, Crescent Point stock could move much higher.

Volatility should be expected and a sharp downturn in oil prices could quickly send the share price back below $4, but the oil demand outlook and the relatively tight supply conditions should bode well for the sector.

Why Yamana Gold might have 50% upside

Yamana Gold (TSX:YRI)(NYSE:AUY) trades near $6 per share. Last August, the stock hit $9 when gold rallied above US$2,000 per ounce.

The pullback through the fall of last year and into the initial part of 2021 came as a result of soaring bond yields. The crypto boom might have also contributed, as investors moved funds from gold and gold stocks to Bitcoin. Where the crypto market is headed next is anyone's guess, but the latest sharp pullback reminds investors that it is a very risky place to put cash.

A 50% drop in Bitcoin from the 2021 high wouldn't be a surprise in the coming months. That could send money back to gold. At the same time, gold could get a boost from safe-haven investors searching for a way to protect buying power against anticipated inflation.

Yamana worked hard in recent years to reduce debt and stabilize the balance sheet. Higher gold prices have certainly helped, and the company has finally turned the corner. Net debt dropped by $323 million to $567 million last year.

The board raised the dividend by 50% in the fourth quarter. More hikes should be on the way.

Gold caught a nice tailwind over the past month. If that extends through the summer, Yamana could take another run at the $9 mark.

The bottom line on cheap stocks

Risks remain, but Crescent Point and Yamana have the potential to deliver huge gains from their current prices. If you have a positive outlook on oil and gold prices, these cheap stocks deserve to be on your radar.

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Date
2025/06/30
Date Created
2021/04/30
Author
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