2 Undervalued Stocks to Buy in 2021 That Could Double Your Money

Description

Growth investors looking for superior returns might feel that the high-flying market does not offer plenty of opportunities. However, the market still has several opportunities that savvier investors might be able to pick out for stellar returns, provided they know where to look.

Today will discuss two cheap stocks today that might still have a decent upside potential to provide you with excellent long-term returns.

Beaten-down energy stock

Crescent Point Energy (TSX:CPG)(NYSE:CPG) investors who bought the company's shares for $1 in 2020 have already been enjoying a great run. At writing, the stock is trading for $5.18 per share and the investors have made the easy money. However, there may be more upside with the stock if the energy sector bulls are correct.

Oil prices declined as far as US$36 per barrel but rallied to as high as US$66 in March. The price of oil per barrel today is US$65.69 and represents a strong recovery and resilience in the oil market for the first quarter of 2021. The oil prices caught many experts by surprise because they predicted oil prices to remain around US$50 per barrel this year.

The predictions with the current market environment have climbed to US$75 per barrel in the coming months. Global economic growth could spark an increasing oil demand, and the supply might be unable to keep up before producers can ramp up oil production.

Crescent was trading for more than $40 per share in 2014 when oil prices hit their last peak. The company has managed to bring its debt down to manageable levels over the years and improve its liquidity. Crescent is well-positioned to benefit from rising oil demand, presenting massive upside potential for investors.

Battered gold producer

Kinross Gold (TSX:K)(NYSE:KGC) was trading for $20 per share in 2009. By 2015, the company's share prices declined to just $2 per share. The massive downfall for Kinross happened after the company's management made costly acquisitions during the last time gold prices were booming. The company was hit with a massive debt that it had to slowly recover from in the years since its decline.

Rising gold prices have improved the gold producers' margins. Kinross generated US$1 billion in free cash flow during 2020, and it finished the year with cash and cash equivalents amounting to over US$1.2 billion. At writing, the stock is trading for $9.24 per share. However, it traded for as high as $13 per share when gold prices pushed past US$2,000 per ounce in 2020.

The gold rally faced an obstacle when bond yields began soaring, but gold has started to recover again. There is a good chance that gold might re-establish favourable sentiments as a hedge against inflation in the coming months. If gold prices manage to regain momentum and break past 2020 highs, Kinross investors could be in for massive upside.

Foolish takeaway

The Crescent Point Energy stock and Kinross Gold stock valuations show that the companies have fallen far from their all-time highs years ago. Recent developments for both companies indicate that the worst days might be far behind them.

I would not go as far as saying that the two companies will be top performers this year. However, Crescent Point Energy and Kinross Gold could be well positioned to deliver stellar returns to investors in the coming years as the economy recovers.

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