



2 Contrarian Stocks to Buy While They're Still Cheap

Description

It is always a good idea to start your [investing](#) journey with index ETFs and dividend-paying stocks. Then there are speculative and contrarian stocks for which you need to have a strong understanding of the stock market. Instead of flowing with the tide, you flow *against* the tide, and that needs immense patience, self-control, and confidence in your research.

Here I have identified two contrarian stocks with strong fundamentals and the potential to grow, but short-term factors have pulled these stocks down.

Magna stock

The first on my list is **Magna International** ([TSX:MG](#))([NYSE:MGA](#)), the auto parts supplier that rode the electric vehicle (EV) bull between November 2020 to June 2021. The stock surged more than 115% during its bull run, and then came a correction. The stock dipped as much as 18% from its high in the last two months as the rising cases of the Delta variant stalled automotive recovery. Moreover, a chip supply shortage slowed the recovery.

In its latest [earnings](#), Magna reported weaker-than-expected earnings and even cut its 2021 revenue forecast due to semiconductor chip shortages. But the supply shortage won't last forever. Magna has a pipeline of customers, 23 of the top 25 EV makers, and is expanding its offering through partnerships. It is using the current weakness in the automotive sector as an opportunity to make strategic acquisitions.

In July, Magna offered to acquire Swedish auto technology supplier **Veoneer** for US\$3.8 billion. But the deal faced a roadblock as **Qualcomm** launched a competitive bid of US\$4.6 billion. Undoubtedly, Veoneer considers Qualcomm's proposal to be superior. But there will be more acquisition opportunities, and Magna can use its US\$3.4 billion in cash reserve to grab that opportunity.

All the above factors are temporary and will ease as production resumes from the pandemic backlash. But Magna's long-term growth driver is the EV adoption in major automotive countries (China, Europe, the United States). This is a good opportunity to buy Magna stock at a discount. Don't expect a surge this year, but probably in the second half of 2022. The stock could double your money once automotive growth picks up.

Suncor

Another fundamentally strong stock currently undervalued from the short-term issues is **Suncor Energy** ([TSX:SU](#))([NYSE:SU](#)). Canada is the world's third-largest oil reserve, and Suncor is Canada's largest integrated oil company. This itself shows the economic relevance of Suncor. The stock almost doubled in the recovery rally from November 2020 to July 2021 as oil prices surged with the hopes of recovery in oil demand. But the recovery hit a roadblock in July as disputes around oil production and rising Delta variants pulled down [oil prices](#).

To add to the oil bears, environmentalists targeted carbon emission from oil sand projects, pulling Suncor stock down 20%. Environmental concerns are not new for Suncor. It has proposed a \$75 billion initiative to zero emissions from oil sands projects by 2050.

While the company tackles the long-term environmental issue, the short-term recovery is picking up. The borders are reopening and flying is gaining momentum. **Air Canada** will reach out to Suncor for jet fuel, and so will other industries that restart production.

I expect the oil stock to rise in the winter holidays on the back of pent-up travel demand and industrial production. If the company returns to the pre-pandemic level of \$40, that is a 60% upside.

CATEGORY

1. Dividend Stocks
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2. NYSE:SU (Suncor Energy Inc.)
3. TSX:MG (Magna International Inc.)
4. TSX:SU (Suncor Energy Inc.)

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Author

pujatayal

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