2 Beaten-Up Stocks That Could Have Significant Upside

Description

When stocks drop in price, sometimes a small drop turns into a tumble, and tumble into downright free fall. It could be a result of panic or some overreaction that leads investors to sell an otherwise good investment. The natural disposition is to believe that a stock going down will continue to go down, even though it may defy logic. But that is the struggle for many investors — to fight off those feelings and analyze the stock independently of emotions.

For investors that are not afraid to take on risk and be more opportunistic, large sell-offs could present great opportunities. A stock that has been oversold has a lot more upside to its share price than one that is down a couple of percentage points. But to invest in a stock that is down significantly requires patience and confidence in the company that it will recover.

A stock that has simply gone down doesn't mean it will come back up. **Hudson's Bay Co.** (TSX:HBC) has dropped 16% year to date, but that doesn't suggest it is a good investment. I've long wondered how the retailer will remain in business given its often empty stores and poor online presence. But there are other examples of quality businesses where a drop in share price is not accompanied with a justifiable reason, and these are the ones that could present strong investment opportunities.

Waste Connections Inc. (TSX:WCN)(NYSE:WCN) has seen its share price drop almost 7% in the last month. The company provides waste services, which may not be the most exciting investment, but might present a solid growth opportunity. Waste Connections has grown its revenue for four consecutive years and has a compounded annual growth rate of over 19% during that time.

The company currently is trading at a high price-to-earnings multiple of about 58, but with strong quarterly results, this ratio will come down. In the short term, however, a look at the technical analysis suggests the stock is in oversold territory. If you think the stock was overvalued in the first place, then this might just be seen as a correction. Otherwise, it could be present a buying opportunity.

Crescent Point Energy Corp. (TSX:CPG)(NYSE:CPG) has also been oversold as of late. However, being in this territory for Crescent Point is not as unique as it has been for Waste Connections. Crescent Point is, after all, in the oil and gas industry, and as oil prices sell off, the consequences will flow to the stock as well.

Crescent Point might be a bit more of a risk in the short term since it is tied to a commodity price that has been on the decline. A lot depends on which side you fall on: the one that believes the lack of investment in oil and gas will lead prices back up, or the side that sees the tide changing and less reliance and need for oil will mean a consistently lower price. If it's the former, then you would be more likely to see this as a great time to invest.

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