Don’t Miss These 2 High-Quality Stocks That Are Trading Near 52-Week Lows

Description

When the price of a stock’s shares drop significantly, it can create a great opportunity to buy the stock at a discount. However, the danger always remains that the stock is going to decline even further. It is important to understand the reason the stock has been on a decline to assess whether it is a market overreaction or if it is a justified decrease in price, in which case you might not expect the shares to see much of a recovery.

I am going to look at two stocks that are near 52-week lows to determine which category each stock falls under and if the stocks are great buys at these reduced prices.

Open Text Corp. (TSX:OTEX)(NASDAQ:OTEX) is currently trading under $39 per share and is near its low for the year. In just the past month, the share price has declined by over 10%. When the company released its fourth-quarter results in early August, the stock price initially climbed to over $43, but since then it has been on a decline. A look at recent news suggests that there were no news-related items that would have caused the share price to go on a decline.

A look at the price movement suggests that what may have caused the decline was simply investors cashing in on gains, and the resulting downward momentum could have pushed the share price down further, which likely triggered stop losses along the way.

The earnings release in August showed strong sales growth of over 37%, although overall net income was cut almost in half as the company saw an increase in its operational expenses, which may have caused concern for some investors.

In the case of Open Text, I think the decline in share price has been momentum-based and the market has overreacted. The stock could be a great buy at under $39.

Smart REIT (TSX:SRU.UN) is another stock that is trading close to its 52-week low and currently sits under $30. The company has had a much slower decline than Open Text, and although the share price has also dropped by almost 10%, it has taken six months to do so. In the past month, the stock price has dropped just over 2%, so there could be some stability already. As an added incentive, the decline of Smart REIT's stock has pushed its dividend yield up to almost 5.7%.

In the case of REITs, the market has been a bit more bearish on the sector, and the company has simply fallen victim to that. In its most recent quarterly results which were released in August, the company had occupancy rates of over 98%, and its bottom line grew by over 60% year over year. Fear of interest rate increases and the resulting impact on REITs with a fair amount of debt and interest expenses has punished stocks like Smart REIT.

Smart REIT has a good dividend, high occupancy rates, and has been able to grow its profits. There is plenty to like about the stock, and at under $30, it could make a great buy for value investors as well as those looking for good dividends.

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TICKERS GLOBAL

1. NASDAQ:OTEX (Open Text Corporation)
2. TSX:OTEX (Open Text Corporation)
3. TSX:SRU.UN (SmartCentres Real Estate Investment Trust)

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