



3 Oversold Stocks That Could Be Great Buys

Description

When stocks are oversold, that suggests a trend reversal might happen soon or, at the very least, the share price should see a recovery. Although this isn't a guarantee, it can help you find potentially undervalued stocks that could have a lot of upside.

One indicator I like to use when assessing whether a stock is oversold or not is the Relative Strength Index (RSI), which looks at the average gains and losses of a stock typically over the past 14 trading days.

When there is an excessive amount of selling, and the average losses heavily outweigh the average gains, the RSI number will fall below 30, which indicates a stock is oversold. An RSI number of 70 or higher implies the opposite, and that the stock is overbought and could be due for a decline.

I'm going to have a look at three stocks that have had an RSI number of less than 30 recently and that could be great buys today.

Enbridge Inc. ([TSX:ENB](#))([NYSE:ENB](#)) was recently at an RSI level of just over 22, and the stock has been oversold since the beginning of the month. It also reached a new 52-week low, trading at a little more than \$46 a share as of Friday's close.

The company [released its earnings earlier this month](#), which missed expectations and sent the already low share price down even further. The declining share price has made this excellent dividend stock yield almost 5.3% per year. Not only is that a high yield, but Enbridge has a strong reputation for increasing its payouts as well.

Although, technically, Enbridge missed expectations, it still put out a strong quarter, which saw revenues climb 9% from last year, and profits of \$847 million were a significant improvement from the \$30 million loss the oil and gas giant incurred a year ago. With oil prices continuing to rise, this is a stock that could have tremendous upside.

Sierra Wireless, Inc.'s ([TSX:SW](#))([NASDAQ:SWIR](#)) stock is at an RSI level of just over 31 and briefly dipped below 30 last week. The company also recently released quarterly results, which failed to

impress investors, [despite strong sales growth](#).

Sierra saw rising costs erode much of the improved top-line performance, and it was taxes and foreign exchange gains that strengthened the otherwise uninspiring bottom line.

The stock has been on a rough ride and declined 11% just last week and has lost 36% of its value in the last six months. With the Internet of Things industry starting to grow, the stock could generate tremendous returns for investors.

Barrick Gold Corp. ([TSX:ABX](#))(NYSE:ABX) also saw a large sell-off happen after its latest quarterly results were released. In the past month, the share price has dropped 15%, and recently the stock reached a new 52-week low.

The company's stock sits at an RSI level of 22 and has been oversold since late October. At a price-to-earnings ratio of less than nine, Barrick trades at a lower multiple of earnings than **Goldcorp Inc.** (TSX:G)(NYSE:GG), which is currently priced at 30 times its profits.

As uncertainty continues to plague various places in the world, we may see gold prices continue to rise, which could lead to a stronger valuation for Barrick's stock.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
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2. NYSE:B (Barrick Mining)
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