
# 2 Oversold Stocks That Could Be Great Buys

## Description

Buying a stock that is oversold can be an opportunity to buy a good investment at a discount. However, sometimes it can be difficult to determine when a stock has been oversold, and that is where technical analysis can help investors.



One technical indicator that I like to use is the Relative Strength Index (RSI), which is calculated by looking the average gains and the average losses of a stock, typically over the last 14 trading days. An RSI level below 30 indicates that the losses have heavily outweighed the average gains and that the stock has been oversold and could be due for a recovery.

A low RSI is certainly not a guarantee that the share price will recover, but it does indicate a strong possibility of that happening. Below, I have listed two stocks that are oversold that opportunistic investors could grab at good prices.

**Winpak Ltd.** (TSX:WPK) has seen its share price produce returns just over 4% year to date. After reaching over $61 a share, the stock would eventually fall back down to $47, near where it started the year. The packaging company’s stock is trading at an RSI level of 28, and in the past month its share price has dropped more than 12%.

Despite showing growth in its top and bottom lines in its latest earnings, which were released in October, investors were unimpressed, and that sent the stock spiraling down. A big part of the decline is likely to due to the uncertainty relating to ongoing NAFTA negotiations with the United States and the impact that might have on manufacturing.

In addition, Winpak is trading at a price-to-earnings ratio of nearly 30, which is certainly expensive for a stock that saw revenue growth of less than 7% in its most recent quarter. However, the share price is close to its 52-week low, and it could see some upside in its value if NAFTA negotiations progress positively.

**Just Energy Group Inc.** (TSX:JE)(NYSE:JE) has been oversold for most of November, and the stock is trading at an RSI level of just 14, indicating that it is heavily oversold. The share price recently hit a new 52-week low, and the danger for investors is that a bottom may not have yet been reached.

In just one month, the company saw it stock drop 24% in value in response to its poor quarterly results, which showed sales down from the prior year and the period, again, finishing in the red. In addition, the company revised its guidance down for 2018.

Just Energy already had a great dividend before the decline, and now the stock is paying investors a yield of over 9%. This could be a great time for investors to lock in a high yield as a result of a very big and likely overblown sell-off.

Currently the stock trades at a price-to-earnings multiple of less than six and is a big bargain compared to bigger stocks like **Fortis Inc.** (TSX:FTS)(NYSE:FTS) and **Algonquin Power & Utilities Corp.** (TSX:AQN)(NYSE:AQN), which trade at 19 and 29 times earnings, respectively. Although a big company like Fortis might offer more growth and stability, it's not without its risks.

Just Energy could be a great long-term buy for investors looking to secure a high dividend while also adding a quality stock to their portfolio at a big discount.



**CATEGORY**

1. Dividend Stocks
2. Energy Stocks
3. Investing

**TICKERS GLOBAL**

1. NYSE:AQN (Algonquin Power & Utilities Corp.)
2. NYSE:FTS (Fortis Inc.)
3. TSX:AQN (Algonquin Power & Utilities Corp.)
4. TSX:FTS (Fortis Inc.)
5. TSX:WPK (Winpak Ltd.)

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