Dividend Investors: 2 Oversold Stocks That Could Be Great Buys Today

Description

When quality stocks dip in price, it could present an attractive buying opportunity for investors. However, it's important to pay attention to what's behind the drop in price. If a stock falls in price for no discernible reason, then it could be a good time to buy. If that's not the case, then investors should assess whether the sell-off is justifiable.

One way to identify stocks that have been oversold is to look at their Relative Strength Index (RSI), which is calculated using the average gains and losses of a share, typically over the past 14 trading days. A value under 30 indicates the stock is oversold and that the losses have heavily outweighed the gains, whereas a value over 70 indicates the opposite.

I'm going to look at a couple of dividend stocks that have recently fallen below an RSI of 30.

Rogers Communications Inc. (TSX:RCI.B)(NYSE:RCI) is a household name in Canada, and with many different segments, the company has a lot of different ways that it can grow its business. In the past month, the company's share price has dropped more than 4% and is trading at an RSI of only 22.

This is significant, not only because the RSI level is so low, but because the stock has not been oversold in the past year. Even more importantly, nothing has adversely impacted the company that should have resulted in a drop in its share price, making a recovery all the more likely.

The decline also means that the company's dividend yield has now increased to ~3.1% per year. For dividend investors, this could be a great opportunity to lock in a higher yield.

Rogers has its fourth-quarter earnings scheduled for later this month, and a strong quarter to wrap up the year combined with an oversold stock could give the share price a lot of potential upside. In Q3, Rogers continued to show strong growth and maintain a very low churn rate.

Fortis Inc. (TSX:FTS)(NYSE:FTS) is another quality dividend stock on the decline. The stock has recently dipped into oversold territory with an RSI of 27, and that too is uncommon for the fairly stable utility stock. Fortis has also gone on a 4% decline in the last month, and that that has pushed its dividend yield up to 3.8%.

Utility stocks are particularly attractive to dividend investors because the companies offer a great deal of stability, since sales are largely made up of recurring revenue and aren't impacted significantly by market conditions.

The company is coming off a strong Q3 (but not without issues), and so it is a little surprising to see that the stock has been oversold. Acquisitions helped Fortis grow its quarterly sales by more than 24% from a year ago, while profits had nearly doubled. Fortis has its fourth-quarter earnings release scheduled for February.

Investors are not likely to see much growth from this stock, as over the past five years the share price has risen just 30%. Fortis is more of a dividend play for investors looking to secure some stable and recurring income while taking on minimal risk.

CATEGORY

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