2 Oversold Stocks That Could Be Great Buys Today

Description

Using technical indicators on their own to make investment decisions can be dangerous. However, when used in conjunction with fundamental analysis, it could allow you to time your entry and buy at times when a good stock is on sale.

One indicator I often look at to help determine if a stock is oversold is the Relative Strength Index (RSI), which is just a simple calculation that looks at a stock's average gains and losses over typically the past 14 trading days.

An RSI of less than 30 indicates that a stock is oversold and could be due for a recovery, whereas an amount over 70 suggests the opposite. By no means is it a guarantee that a reversal will happen, but it helps to gauge how the stock is doing.

You can also look at support levels, where the stock is in relation to its 52-week low, to help assess how good of a buy it might be at its current price.

It's also important to consider why the stock is down, because all the metrics in the world could be telling you it's a good buy, but if there is something broken with the company's business model that has impacted its fundamentals, then it might not be worth buying anyway.

The stocks below have RSI values of less than 30. I'll look to see if you should consider investing in either of these companies.

BCE Inc. (TSX:BCE)(NYSE:BCE) has been a strange stock the past year. Outside of a few moments where it broke above $62, the share price has largely been stuck in a range with a support level of ~$58, which is where it currently finds itself in trading.

The shares are oversold with an RSI of 24 — the lowest it has reached since July when the share price got as low as $57.55. Although the stock would go on to eventually rise to nearly $63, here it is again back on its way down.

Although I'm not a fan of BCE for the long term, it's a bit tempting to buy the stock at this price for the modest gains that could be achieved at this level. It doesn't present any serious risk to investors today, and nothing adverse has impacted the company that would make it a bad buy.

Saputo Inc. (TSX:SAP) has had a tough year with its share price down more than 9%. The cheese business is saturated, and the company is very mature, so growth is limited. In its most recent quarter, sales were up a little more than 1%, while in its most recent fiscal year, the results were also not much better.

However, the company still presents steady financials with revenues north of $10 billion in each of the past three years, while Saputo has also averaged a healthy profit margin of just under 6%.

The stock recently dipped to an RSI of under 28, and it could be a good buy at the price. Struggling sales might be enough to convince investors as otherwise, as the stock trades at an earnings per share of 22, which is a bit high for a company that hasn't shown much growth.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:BCE (BCE Inc.)
2. TSX:BCE (BCE Inc.)
3. TSX:SAP (Saputo Inc.)

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