3 Blue-Chip Stocks That Are Oversold and Great Buys Today

Description

When a stock becomes oversold, it could present an opportunity to score a great bargain. While it may be a risky endeavour, especially if a further decline could be around the corner, when the sell-off includes a blue-chip stock that has solid fundamentals, it could be a rare chance to get in on a quality stock at a low price. Below are three stocks that would be great buys even without a dip in price.

Canadian Imperial Bank of Commerce (TSX:CM)(NYSE:CM) has declined more than 6% in the last month, and that's pushed its already strong yield up to 4.5%.

A favourite indicator of mine, the Relative Strength Index (RSI), can help to determine when a stock has seen excessive selling, which can also suggest that a reversal could happen soon. When the RSI dips below 30, it signifies a stock is oversold, whereas a value over 70 indicates the opposite.

Recently, CIBC's stock dropped to an RSI level under 20, and that is a very rare occurrence, as the stock has only briefly gone into oversold territory in the past 12 months. In 2017, CIBC had a rough ride for most of the year, and it wasn't until September that the stock mounted a rally where it would go on to reach its recent highs.

Bank stocks have typically performed better than the TSX and offer more stability in the long term, so I would expect the stock to see a recovery soon.

Bank of Montreal (TSX:BMO)(NYSE:BMO) is another bank stock to make this list, as its RSI level recently hit 21. Although it's not as low of a level as CIBC, investors should note that the last time BMO's stock was oversold was back in September, when the share closed at less than $90. Investors that bought at that low would have been rewarded with significant returns.

BMO doesn't pay as high of a dividend as CIBC, but at 3.8% it's still a strong payout that will continue to grow over the years.

Back in November, the stock also made a "golden cross" where its 50-day moving average moved above its 200-day average, which is a very bullish trend that signifies a stock is on its way up.

Brookfield Asset Management Inc. (TSX:BAM.A)(NYSE:BAM) is down more than 10% in the past month, and at under $49, it is the lowest the stock has closed at since September. An RSI level of just over 20 also indicates this stock has seen a big sell-off lately, and it too could but due for a reversal soon.

September was the last time the shares dipped under an RSI of 30. At the time, the stock was ~$47 and would go on an incline, reaching a peak of over $57 before dropping back down. Although there's no guarantee that will happen again, the stock has seen fairly strong support at $50, and so there's reason to see some upside from where it is trading at now.

Although the stock's 1.5% yield may not attract much attention from investors looking for a strong dividend, Brookfield offers a great opportunity for capital appreciation over the long term, as the stock has doubled in the past five years.

CATEGORY

1. Bank Stocks
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2. NYSE:BN (Brookfield Corporation)
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