4 of Canada's Most Oversold High-Quality Stocks That Could Snap Back Rapidly

Description

Last week was really nasty for the global markets, and unfortunately, the Canadian index got punished, even though it didn't partake in the incredible ~20% rally in 2017, nor the parabolic surge this January. That's hardly fair, right?

Canadian stocks have lagged behind our neighbours to the south for years, but this recent nosedive puts many Canadian stocks into oversold territory, and over the next few months, many beaten-up stocks could be due for a bounce, as value hunters make moves on these ridiculous bargains.

Here are four of the most oversold Canadians stocks that you may wish to add to your shopping list:

Nutrien Ltd. (TSX:NTR)(NYSE:NTR)

Nutrien took a ~17% dip from its all-time high, so if you're an extremely long-term investor who's looking to play a rebound in agricultural commodities, then the stock is an absolute steal at current levels.

The company expects $500 million in operational savings for 2018, but still, many analysts aren't at all enthused about the potential synergy opportunities from such the massive merger between Potash Corp. and Agrium. Like it or not, Potash Corp. and Agrium together are better equipped to deal with industry-wide headwinds than as the sum of their parts. Although the near-term synergies may be underwhelming, the long-term savings are something to be excited about.

I think Nutrien is overly beaten up and has entered value territory following the violent market-wide sell-off. The recent dip is violent, and it's not at all warranted.

Fortis Inc. (TSX:FTS)(NYSE:FTS)

Fortis is a wonderful defensive gem that typically provides a stable foundation for any portfolio. The stock has plunged ~17% peak to trough over the last few months due to fears over rising interest rates and the fact that defensive stocks aren't as in demand during what's looking like an economic boom.

It’s very rare that you can get a rock-solid dividend payer like Fortis at such a discount. The stock currently trades at a 15.8 forward P/E multiple, a 1.3 P/B multiple, and a 6.9 price-to-cash flow multiple, all of which are lower than the company’s five-year historical average multiples of 20.7, 1.5, and 7.5, respectively. The 4.13% dividend yield is also nearly 0.5% more than you’d normally get.

Canadian Natural Resources Limited (TSX:CNQ)(NYSE:CNQ)

The stock got absolutely punished in 2018, falling nearly 20% from peak to trough. The ~2.9% dividend yield is a bonus for oil bulls who are looking for a safe and stable way to ride the energy rebound. Canadian Natural Resources is one of the soundest energy stocks in all of Canada, so it’d be a very wise move to nibble away at shares on the recent plunge.

The stock trades at a 17.1 trailing P/E multiple, a 1.5 P/B multiple, and a 6.2 price-to-cash flow multiple, all of which are lower than the company’s five-year historical average multiples of 41.5, 1.6, and 7.8, respectively. Like Fortis, the dividend is also 0.5% higher than it normally is.

Canadian Imperial Bank of Commerce (TSX:CM)(NYSE:CM)

CIBC plunged ~8.5% peak to trough and is one of the biggest bargains in the entire Canadian banking scene today. The general public loves to hate CIBC because of its overexposure to the frothy Canadian housing market. As a result, shares are much cheaper versus its bigger brothers in the Big Five, and in the event of market downfalls, CIBC is usually poised to suffer the most.

The trailing P/E is close to falling back into single-digit territory, and that fat 4.53% dividend yield has got to be drawing the attention of value-conscious income investors. CIBC is so oversold that I believe the stock could be poised for a major upward rally once market-wide volatility subsides.

Bottom line

These are just four of many Canadian stocks that have been severely oversold over the past few months. If you’re looking to do some buying following the recent weakness in markets, you may want to consider one or all of the stocks that I’ve mentioned in this article. They’re all high-quality stocks that are way too cheap to ignore.

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