3 Undervalued Stocks That Are Starting to Rally

Description

There are many stocks that are overvalued on the TSX right now, and investors looking for value buys are likely having a hard time finding good deals. The TSX's poor start to the year has helped bring valuations down, but buying on the dip could prove to be a waste of time.

Instead, investors might find more success buying stocks that are showing progress and that are overdue for a rally. Below are three stocks that have started to come out of the abyss and that could have a lot of upside to offer investors.

Cenovus Energy Inc. (TSX:CVE)(NYSE:CVE) has taken investors on some wild rides in the past year. While the stock has been able to generate some positive momentum in recent months, investors have been largely undecided on which direction to go with the oil and gas stock, especially as commodity prices have started to pull back.

In the last 12 months, Cenovus has lost more than a third of its value, but in the past month the share price has risen 13%, as it continues to find support at ~$9. I wouldn't be surprised for the stock to continue its ascent, but I also wouldn't expect it to last either. As well as the company may be performing, it will heavily be impacted by the price of oil, and that's the biggest reason I wouldn't hold the stock for the long term.

However, in the short term, investors could secure some strong gains.

Cameco Corp. (TSX:CCO)(NYSE:CCJ) has also been adversely impacted by a poorly performing commodity. In its case, there is no light at the end of the tunnel right now, and that has forced the company to slash its payouts and scale back production.

While the share price may not have fallen quite as hard as Cenovus has in the past year, with the stock declining nearly 20%, it too has failed to find any consistency. However, since the start of March, the stock is up more than 6%, and with the share price trading just under book value, it could be a great opportunity to get in at a good price.

Cameco is a risky play that could have a lot of potential upside in the future, but it needs uranium prices to rise in order for that to happen.

Sierra Wireless, Inc. (TSX:SW)(NASDAQ:SWIR) is another stock that has taken a beating in the past 12 months with its share price declining more than 40%. The stock took a nosedive after its recent earnings failed to impress investors in early February.

However, since that time, the stock has risen nearly 10% and has been building some momentum. While investors may have been turned off by the fact that Sierra posted a loss to close out the year, the company's top-line growth shouldn't be ignored, nor should its great prospects for the future.

With a price-to-book multiple of less than 1.7, Sierra is a great tech stock that is also a good value buy, which is often hard to find. The stock has a lot of potential, and with no commodity prices potentially weighing it down, it also has the least amount of risk of the stocks listed here.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NASDAQ:SWIR (Sierra Wireless)
2. NYSE:CCJ (Cameco Corporation)
3. NYSE:CVE (Cenovus Energy Inc.)
4. TSX:CCO (Cameco Corporation)
5. TSX:CVE (Cenovus Energy Inc.)
6. TSX:SW (Sierra Wireless)

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