A Dangerous Crossover Could Send These 3 Stocks Further Down in Price

Description

Technical analysis can be helpful for investors to find and take advantage of great buying opportunities. Although it may be risky to invest solely based on price movement (and you need to look no further than the decline that Bitcoin has been on this year as proof of that), when coupled with good fundamental analysis, it can help you maximize your gains. Buying on dips isn't an effective strategy, but when we see crossovers happen, that could trigger buy or sell signs and could help predict where the price will go from there.

One such crossover, the "Death Cross," occurs when a shorter-term moving average (MA) crosses below the longer-term MA. When this happens, it is a very bearish indicator and signals that we could see more selling take place, particularly among those that use technical analysis and have triggers in place. Below are three stocks that have recently seen their 50-day MA dip below their 200-day MA that investors may want to watch cautiously.

In late March, **Bank of Nova Scotia** (TSX:BNS)(NYSE:BNS) saw its stock make this bearish crossover, and in the past month it has seen its share price decline 4%. Although we could see the bank's stock decline even further than where it is now, Bank of Nova Scotia is well diversified with a presence in several different countries, particularly in Latin America. As a result, we should see more stability from it than we do other bank stocks.

As the economy grows, and the bank takes advantage of larger spreads from rising interest rates, its financials will only get stronger. The company pays its investors a dividend of more than 4%, and that coupled with its broad diversification makes it a very appealing stock to hold for decades.

Manulife Financial Corporation (TSX:MFC)(NYSE:MFC) is another stock that saw this dangerous crossover take place in March, and its share price has declined more than 3% in the past month. Much like Bank of Nova Scotia, Manulife is a fairly stable stock that fits in the portfolio of many long-term, value investors. The company's returns have been more impressive, however, with the share price rising more than 60% over the past five years. The insurance provider is a necessary evil in our economy that has carved out a stable spot for itself and ensures that it won't be in danger of disappearing anytime soon.

Investors may want to keep an eye on the stock to see if it continues to decline and potentially hit its 52-week low, which could make it an appealing buy, at least in the short term. The stock isn't expensive, trading at a price-to-book ratio of just 1.2, and it could see some upside from its current price point.

Canadian Natural Resource Ltd. (TSX:CNQ)(NYSE:CNQ) has been on a different trajectory, despite seeing the bearish crossover happen last month. Although the stock declined, it has been on the rise since the end of March, as a level of bullishness in oil and gas stocks has helped the stock find some momentum. Oil prices could continue to rise, particularly if we see a long-term supply agreement in place, and that could help Canadian Natural Resource to return to the highs it achieved earlier in the year.

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