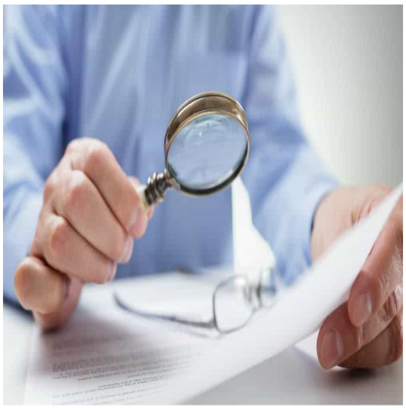

3 Stocks That Could Be About to Go Into Oversold Territory

Description

If you're planning to hold an investment for decades, then whether you buy today or a month from now will likely have minimal impact on your long-term returns. However, for those investors looking for shorter terms, perhaps even less than a year, then timing can play a big factor in your portfolio's returns.

When a stock goes on a dip in price, it could be a great opportunity to lock in a good value for a stock that could bounce back in price. The danger with buying on the decline is that the share price could go on to decline even more. Ultimately, it depends on the reason for the drop in price and whether it has impacted the company's long-term prospects.

One way to gauge whether a stock has seen too much selling and whether it is a good buy is to look at its Relative Strength Index (RSI), which looks at the average gains and losses of a stock over the past 14 trading days. When losses heavily outweigh gains, the RSI shrinks, and once it gets to below 30 it is considered to be oversold.

When a stock is oversold, that could suggest it is due for a reversal, and that we could see a rally happen soon. Below are three stocks that are near oversold territory and that you may want to keep an eye on.

Canadian Utilities Limited (TSX:CU) has declined more than 7% in the past three months, and it has been in and out of oversold territory this year. It is currently near an RSI of 38, but given the swings we've seen from the stock lately, it's one that investors should watch to see if further dips in price make it a good buying opportunity.

An underwhelming quarter ultimately led to a decline in the value of shares, but with a modest price-to-book multiple of 1.8 and a price-to-earnings ratio that's below the industry average, Canadian Utilities could be a great value buy. It also pays a great dividend of over 5% which has grown over the years as well.

WestJet Airlines Ltd. (TSX:WJA) has received a lot of negative press lately surrounding a potential work stoppage, including criticism for its customer service and how it would deal with impacted customers under such a scenario. It should come as no surprise to investors then that its stock has dropped nearly 20% in the past three months.

Although the strike was averted, we haven't seen much of a recovery in the share price just yet. It went into oversold territory briefly in May, and with an RSI of around 35, it isn't out of the woods yet.

Saputo Inc. (TSX:SAP) dropped more than 6% in price just last week, as the company released its year-end results which failed to impress investors. Prior to the release, the stock was in overbought territory and, now at an RSI of 36, could be on its way to being oversold.

The stock has performed well for investors over the long term with its share price rising more than 70% over the past five years.

CATEGORY

1. Investing

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2. TSX:SAP (Saputo Inc.)

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1. Investing

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