



2 Oversold Stocks That Could Be Great Buys Today

Description

Stocks can take you on a bit of a roller coaster sometimes, and one way you can try and protect yourself is by trying to buy low rather than high. After all, an overpriced stock has a lot further to fall than a one that is fairly priced. What you can do is look at stocks that have seen a lot of selling lately and that could be due for a reversal. One way that you can gauge how big a sell-off has been is by looking at a stock's Relative Strength Index (RSI).

The RSI takes into account the average gains and losses of a stock over the past 14 trading days, and returns a number that, if high, indicates excess buying, while a low number indicates that the stock has been in a free fall. Once a stock falls below an RSI of 30, that indicates it is oversold and that it could be due for a rally. Obviously, it's not that simple, and you should always consider the reason behind the decline, because if it's a valid reason as to why investors would want to drop the stock, it might be a hint that the sell-off could continue indefinitely.

The two stocks below have recently hit below a 30 RSI. I'll take a look to see if you should consider buying either one today.

Boston Pizza Royalties ([TSX:BPF.UN](#)) has had a rough 2018; its stock price has dropped more than 20% year to date. As of Thursday's close, the stock was at an RSI of just 27, although it has been in and out of oversold territory for the past two months. There doesn't appear to be any development that should have made the stock prone to a sell-off, as its financials remain strong and the top line consistent.

The one downside is that the stock still trades at a hefty 27 times earnings, and for the lack of growth in its top line, it's trading at a premium that's hard to justify. However, one thing that makes the stock an appealing buy is that the decline in stock price has lifted the company's [dividend](#) yield up to over 8%. Overall, the stock is a little bit expensive, but it could be a good long-term buy, as you'll be betting on one of the most well-known and popular restaurants in the country.

Roots ([TSX:ROOT](#)) is approaching the one-year mark of when it [started trading on the TSX](#), and it would have been doing okay if the stock didn't go over a cliff recently. The big driver behind the sell-off

was the company's second-quarter results. Although sales were up slightly from a year ago, the company posted a bigger loss and failed to meet analyst expectations.

The sell-off has been so drastic and sudden that the stock has reached an RSI as low as 16. In just the past five trading days, Roots has declined by more than 25%, which seems excessive given that its quarterly results weren't that much worse than what the company achieved a year ago. I would expect that the stock will bounce back from this low, and it could be a great buy on the dip.

CATEGORY

1. Investing

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. TSX:BPF.UN (Boston Pizza Royalties Income Fund)
2. TSX:ROOT (Roots Corporation)

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