3 More Stocks Trading at 52-Week Lows: Opportunity or Warning?

Description

In the short time period of about a month, we went from seeing an abundance of stocks trading at 52-week highs to a situation where we are seeing more and more stocks trading at 52-week lows.

Clearly, this is not good for shareholders of these stocks, but it's good for those of us who have been waiting for this kind of market action, so we can deploy our cash and do some buying.

And while at times like these we are naturally afraid of trying to "catch a falling knife," it is essential to take a step back and consider what is happening on a case-by-case basis.

What is it that makes a stock rise and fall?

It is part company-specific fundamentals, which are influenced by the company but also by the macro-economic environment, and it is part the multiple that investors are willing to pay for it, which is a reflection of the market's appetite for risk, as well as the confidence that the market has in a given company/stock.

Let's look at three stocks that have hit new 52-week lows recently and determine whether these are buying opportunities or reminders to stay away.

Royal Bank (TSX:RY)(NYSE:RY)

Rising interest rates will improve the bank's net interest margin, but will also cause credit risk concerns.

But with a solid and secure dividend yield of more than 4%, Royal Bank stock pays investors to stick with it through market weakness.

The bank is having a very strong start to the year and had a strong 2017, with a 3% dividend increase to $0.94 per share and a share buyback of nine million shares a testament to this strength.

Sun Life Financial (TSX:SLF)(NYSE:SLF)

As a life insurance company, Sun Life stock stands to benefit big from rising interest rates.

Sun Life stock has fallen almost 5% in the last year, as the company continues to battle outflows in its wealth management business.

But on the flip side, the company has been buying back shares and announced regular dividend payment increases, signifying management's confidence in the business, which is always a good sign.

The dividend yield is currently 3.98%.

Nuvista Energy (TSX:NVA)

Nuvista has gotten killed in the last year and is now down more than 30%.

With a 60% natural gas weighting, we can easily see why.

The natural gas market has been in shambles for the better part of the decade and has shown no signs of improvement — until recently.

A new LNG pipeline bodes well for long-term demand and pricing, and supply numbers bode well for short-term pricing.

For its part, Nuvista is expecting strong production growth of almost 20% this year.

And with its flexible balance sheet that has a reasonable level of debt (20% debt-to-total-capitalization ratio), the company is able to continue growing its production well into the future.

CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Energy Stocks
4. Investing

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2. TSX:NVA (NuVista Energy Ltd.)
3. TSX:RY (Royal Bank of Canada)
4. TSX:SLF (Sun Life Financial Inc.)

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