



3 Oversold Stocks That Could Be Bargain Buys Today

Description

The markets are erratic and sometimes just flat out irrational. While some stocks get punished for barely missing earnings targets, others get a free pass for not making any earnings at all and simply rely on the hope and promise of future growth.

These inefficiencies allow opportunistic investors to unlock some great buys in the market, especially for those stocks that have significantly dropped in value.

A good way to identify these stocks is by looking at their **Relative Strength Index (RSI)**, which measures the amount of selling related to buying that a stock has seen recently. Once the RSI falls below 30, it suggests the stock is oversold, and while it's no guarantee that a reversal will happen, it does suggest it could be a good candidate to do so.

Below are three stocks that recently fell into oversold territory that investors may want to consider adding to their portfolios today.

Bank of Montreal ([TSX:BMO](#))([NYSE:BMO](#)) has been oversold for more than a week now and was at an RSI of under 28 as of Friday's close. There hasn't been anything negative to come out about the company lately, and interestingly enough, the drop in price coincides with the latest interest rate increase by the Bank of Canada.

Investors may have simply opted to put their money into other bank stocks, as BMO has typically not been a top performer. In just the past month, the stock has declined by 7% and year to date it is now down more than 2%.

Nonetheless, BMO is still a big chartered bank that will likely be able to capitalize on higher interest rates; it could be a good time for investors to scoop up the [value stock](#) at a discount, as you have to go back to May for the last time its share price was this low.

Loblaw Companies Ltd ([TSX:L](#)) plummeted more than 20% on Friday after its stock received a downgrade, which came also as the company announced that it had completed its sale of **Choice Properties REIT**.

As a result of the sell-off, Loblaw is now down more than 23% year to date and reached an RSI as low as 15. The stock also hit a new 52-week low.

While I'm [not a big fan](#) of Loblaw, it's still a bit of an overreaction and I wouldn't be surprised to see Loblaw bounce back from this.

Encana Corp (TSX:ECA)(NYSE:ECA) also fell out of favour with investors last week when it announced a big US\$5.5 billion purchase of U.S.-based **Newfield Exploration Co.**, which it believes will help advance its strategy.

The stock reached an RSI of just under 21 and it also closed at a new 52-week low. If the bet pays off for Encana, the stock could have a lot of upside, as it is trading at just 1.3 times its book value.

However, the industry is still a bit shaky to invest in, and this likely the riskiest stock on this list.

CATEGORY

1. Bank Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:BMO (Bank of Montreal)
2. TSX:BMO (Bank Of Montreal)
3. TSX:L (Loblaw Companies Limited)

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Author

djagielski

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