2 Bargain Stocks Trading at 52-Week Lows

Description

For stocks that have seen big declines in price, it can be a little unnerving to buy them out of fear that they will only continue to drop. However, it's a lot safer than buying stocks that have been soaring and that may have peaked.

A good tool for finding oversold stocks is the Relative Strength Index (RSI), which can help identify stocks that have seen an excess of selling recently and where a rally might be in order. When the RSI falls below 30, this is when a stock is considered oversold and when investors might want to consider buying it.

Below are two stocks that are near this benchmark and that have recently hit 52-week lows.

Dollarama (TSX:DOL) has been under a lot of pressure over the past few months, as its latest earnings report showed the popular retail producing little growth from a year ago.

In three months, the share price has plummeted by 30%, and the stock is now trading at around its 52-week low. You have to go back to March 2017 for the last time the stock was so low and before it rocketed up in price.

As a result, the stock has dipped into oversold territory with an RSI of just 25. This is not normal territory for the stock and highlights yet another reason why it could prove to be a good buy at this price.

The sell-off in the stock looks to be a big overreaction to me, as investors have been shedding many stocks that have been perceived to be expensive.

And while I don't disagree that Dollarama's stock may have been expensive, at a price-to-earnings multiple of around 20, it's not a bad price for a growing retail stock, which is something that's hard to find these days.

Cineplex (TSX:CGX) has also recently tanked as a result of disappointing quarterly results. The share price has declined by about 28% in just one month. Here too, earnings simply missed the mark, and investors went into sell mode.

What I found impressive was that Cineplex actually saw a decent increase in its sales of more than 4% year over year. That's an impressive achievement for a company that many people thought was doomed with online streaming expected to take many moviegoers away.

Instead, that hasn't happened, and not only has Cineplex proven it can continue to grow sales, but it can turn a profit as well. While it's true that it's very easy for consumers to just stay home and watch a movie rather than go to the theatres, there is a key difference: experience.

The big differentiator between staying home to watch a movie and going to the theatres is the social aspect of it, and that's likely why Cineplex can continue to achieve a good draw. That's also likely why the company looked at introducing its "Rec Room," as it looks to continue to build a stronger experience for its customers.

The stock is slightly above oversold territory with an RSI of 34, but it too is trading around its 52-week lows and could be a great pickup today.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:CGX (Cineplex Inc.)
2. TSX:DOL (Dollarama Inc.)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

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