2 Discounted Stocks to Target This Month

Description

The S&P/TSX Composite Index rose 101 points on January 8. Canadian and U.S. stocks have bounced back in early January, and positive data combined with words of encouragement from the U.S. Fed has injected enthusiasm back into the markets. This does not mean that there are not discounts to be had on the TSX.

Today we are going to look at two stocks that look discounted in early January. Should you look to add one or both right now? Let's dive in.

AltaGas (TSX:ALA)

AltaGas is a Calgary-based company that operates a diversified basket of energy infrastructure businesses. Shares have dropped 52.7% year over year as of close on January 8. The stock has fallen 33% over the past three months. Last week, I'd discussed why investors building a retirement portfolio should seek out dividend stocks. AltaGas has boasted one of the top yields on the TSX, but recently made a sweeping cut to its payout.

In December, AltaGas CEO Randy Crawford announced that the company would slash its dividend by 56% to an annual payout of $0.96 per share. AltaGas pays out its dividend monthly, which will represent a payment of $0.08 per share starting this month. This represents a 7% yield as of close on January 8. The company also announced that it would sell its remaining majority stake in British Columbia hydro facilities for $1.4 billion.

AltaGas stock hit an oversold signal in late December as its RSI fell below 30, but as of close on January 8 its RSI was at 45. The stock has bounced back from 52-week lows, but it still looks enticing after the strategy shift. The priority at AltaGas is still servicing its debt load, but the company took an important step in late 2018. Investors may want to take a flier with its strong dividend acting as a draw for those on the hunt for income.

Canada Goose (TSX:GOOS)(NYSE:GOOS)

Canada Goose stock has dropped 18% over the past month. Shares surged to all-time highs in late November before tensions between Canada and China were inflamed following the arrest of Huawei executive Meng Wanzhou. Following this, major Chinese media outlets hinted at a boycott of top Canadian companies. Canada Goose was one company that was targeted.

Canada Goose sees 10% of its international sales from the Chinese market. The company promoted its focus on China as part of its growth strategy going forward, which is the reason recent tensions have generated an environment of concern. However, many analysts have dismissed the pessimism and are confident that sales will not be dramatically impacted by the geopolitical crisis.

The Canada-China spat is a concern going forward, but Canada Goose will still be a high performer in 2019. Canada Goose will release its third-quarter results in early February, which will include the typically busy holiday season. Shares of Canada Goose slipped into oversold territory in late December but have since bounced back. At an RSI of 44 as of close on January 8, the stock looks neutral in early January.

Of the two we have covered today, I like Canada Goose as the pick ahead of its third-quarter earnings release. The brand has only strengthened year over year and recent drama with China is more of a medium- to long-term concern if relations worsen.

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