2 Oversold Stocks to Target in March

Description

The S&P/TSX Composite Index fell 35 points on March 7. The TSX Index has posted a marginal decline in the month of March after a terrific performance in the first two months of the year. In late February, I'd recommended that investors prepare themselves for a shakeup in March, considering the high valuations on the TSX.

Today, we are going to discuss stocks that have struggled to start 2019. With discounts hard to come by on the TSX, equities with favourable technicals should be attractive to value investors. Let's determine whether these two stocks are worth adding right now.

Canfor (TSX:CFP)

Canfor is a Vancouver-based softwood lumber company. Shares have dropped 16.5% in 2019 as of close on March 7. The stock has plunged sharply after surging in late 2017 and the first half of 2018. Canfor stock is now down 53% year over year.

Sales at Canfor reached $5.04 billion in 2018 compared to $4.56 billion in the prior year. Adjusted net income climbed to $488.4 million over $363.4 million in 2017. The company reported a full-year increase in operating income, even in the face of one of the worst years for forest fires in British Columbia.

Canfor stock is trading at the low end of its 52-week range. It hit a 52-week low in trading yesterday. The stock last had an RSI of 29, which puts the stock in oversold territory right now. It boasts price-to-earnings and price-to-book ratios that are ahead of its sector average. Canfor looks like a bargain today.

MTY Food Group (TSX:MTY)

MTY Food Group is a Quebec-based franchisor that operates in the quick service industry. Some of its brands include Big Smoke Burger, Country Style, Muffin Plus, and Valentine. Shares of MTY have dropped 5.4% in 2019 so far. The stock is still up 12.7% year over year.

The company released its fourth-quarter and full-year results for 2018 on February 15. MTY announced a 9.4% increase in locations in 2018, bringing its total to 5,984. System sales for the full year rose to $2.78 billion compared to $2.30 billion in the prior year. Revenues climbed to $353 million from $276 million in 2017, and diluted earnings per share increased to $4.06 compared to $2.32.

The concern for MTY and others in the restaurant industry is the reliance on acquisitions to power growth in recent years. There has been a marked decline in traffic at casual dining establishments, whereas quick-service restaurants have been a mixed bag depending on the brand. Fortunately for MTY, young consumers find these types of restaurants more appealing than the casual dining experience.

MTY stock is trading at the middle of its 52-week range. Shares boasted an RSI of 27 as of close on March 7. That indicates that MTY stock is well into oversold territory right now. New acquisitions should continue to propel MTY's growth in 2019. Investors should consider adding the stock at a discount in early March.

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2. TSX:MTY (MTY Food Group)

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Author
aocallaghan