3 Oversold Stocks That Could Be Hot Buys Today

Description

Buying a stock on a dip in price is a good strategy when you're trying to secure a good return. After all, if the stock was a good buy before the dip in price, it's likely an even better one now. Below are three stocks that have fallen into oversold territory lately and that bargain hunters may want to consider adding to their portfolios today.

Great Canadian Gaming (TSX:GC) fell off a small cliff yesterday when the stock dropped 7.8% after releasing its quarterly results. Great Canadian reached a Relative Strength Index (RSI) of less than 25, indicating that the stock had seen excessive selling in a short amount of time.

RSI looks at a stock's gains and losses over the past 14 trading days, and when the losses heavily outweigh the gains, the lower the RSI becomes. And once it falls below 30, the stock is said to be oversold, and it could be a sign that it is due for a turnaround.

In Great Canadian's case, the stock has only dipped below an RSI of 30 once during the past year, which was in late October, when the stock closed at under $41 a share. It would go on to rise shortly afterward, but it's no guarantee that we'll see a repeat of that here. However, Great Canadian is one of the best growth stocks on the TSX and investors shouldn't forget that while the company may have disappointed in its latest quarterly results, it still produced a solid profit and saw sales rise by 35% year over year.

Gibson Energy (TSX:GEI) has fallen 7% over the past month, however, the reason for the decline is a lot less apparent. With the company only yesterday releasing its quarterly results, it's hard to see what was behind the stock's recent decline. The good news for investors is that when there's a decline like this for no clear reason, it makes a recovery a whole lot easier. The last time that Gibson's stock was oversold was back in December when it barely stayed above $17 a share, and it too went on to recover shortly afterward.

The company is coming off a good quarter; although sales grew by only 3.6%, net income was up significantly from a year ago. The energy stock has for the most part been doing well with the share price up over 35% in the past three years. And with a dividend yielding more than 6% per year, it will help pad those returns even further.

Fairfax India Holdings (TSX:FIH.U) is another stock that struggled lately and in the last 12 months has declined by 26%. And like Gibson, it's a bit of a mystery for the recent sell-off, besides perhaps speculators driving down the stock. At an RSI of 26, it has recently dipped into oversold territory and could be due to bounce back. The last time the stock went into oversold territory, it stayed there for multiple weeks, although it did end up finally recovering.

Investors have likely been concerned about volatility as twice in the past four earnings reports, Fairfax has landed in the red. However, for investors looking to diversify and add another dimension into their portfolio, Fairfax India could be a great option. There's a lot of growth potential in India, and Fairfax's stock could be a good way to tap into those opportunities while still not having to stray outside the TSX.

CATEGORY

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1. TSX:FIH.U (FAIRFAX INDIA HOLDINGS CORPORATION USD)
2. TSX:GEI (Gibson Energy Inc.)

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