2 Oversold Dividend Stocks to Buy Right Now

Description

When dividend stocks drop in value, it could be a great opportunity for investors to buy on the dip and secure a higher yield. That's assuming, of course, nothing has gone terribly bad for the company recently and that it's still a good buy.

One way that investors can measure when a stock might be a good buy on the dip is by looking at one technical indicator: the Relative Strength Index (RSI). The RSI takes into account the gains and losses that a stock has incurred over the past 14 trading days. When there have been excessive losses, the number gets lower, and it goes higher when there have been more gains. Once the RSI hits over 70, it is said to be overbought, while a figure less than 30 suggests it has been oversold.

However, it's important to remember that just because a stock has been oversold doesn't guarantee it'll jump back up in price. But if the decline wasn't for any significant reason, then it certainly makes it more probable that the stock will recover, and that's certainly the case for the two dividend stocks listed below, which could be terrific buys today.

Shaw Communications (TSX:SJR.B)(NYSE:SJR) has been struggling during the past month with its share price down around 6%. Although Shaw reported its earnings a month ago, that doesn't appear to be the reason for the stock's drop in value, as its results were positive and beat expectations. The decline began about a week ago, and it's unclear what the catalyst was behind the selling.

That's a good scenario for dividend investors, since it means it's likely the stock can recover from this. Shaw's RSI fell to 28 recently, and that has put the stock into oversold territory for the first time since October. The stock hasn't been this low since January, and it could be a great time for investors to load up on a strong company that can provide a lot of dividend income and stability.

Thanks to the dip in value, investors can earn a yield of about 4.7%. And with payouts made monthly, it could be a great way to inject some recurring cash flow to your portfolio.

Canadian Utilities (TSX:CU) has also declined a similar amount to Shaw this past month, losing more than 5% of its value. However, in its case, it looks like the decline started when the company announced that it was selling its interest in Alberta PowerLine for $300 million. This is not something that should necessarily raise alarm flags for investors, and it's likely Canadian Utilities can recover from this drop in value.

At an RSI of 24, Canadian Utilities is heavily oversold and, like Shaw, has not been in this territory since back in October. With the company recently raising its dividend, Canadian Utilities now pays investors a yield of around 4.7% as well. That's a great payout for a low-beta utility stock and one that investors can hang onto for the long term. The company has generated strong, stable earnings over the years and could be a great fit for any dividend investor's portfolio.

CATEGORY

1. Dividend Stocks
2. Investing

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2. TSX:CU (Canadian Utilities Limited)
3. TSX:SJR.B (Shaw Communications)

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