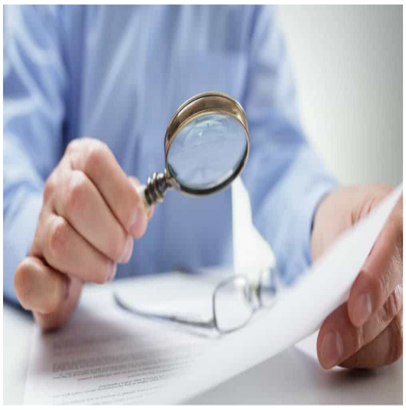

Are These Oversold Stocks Worth Another Look?

Description

Looking for buy signals? One of the most popular technical indicators is the 14-day relative strength index (RSI). It is a momentum indicator that measures the velocity and magnitude of price movements. Typically, a reading above 70 is an indication that the stock is overbought, while a reading under 30 indicates the stock is oversold.

When a stock drops below a 14-day RSI of 30, this is usually a buy signal. It is a sign that the bearish momentum is bottoming, and it may be due for a short-term bounce. It is important to note, however, that a bounce is not guaranteed. At times, there are serious fundamental issues with the company that will result in a long-term downtrend. Thus, it is important to use the 14-day RSI in conjunction with fundamental analysis. In other words, it is not prudent to buy a stock simply because it dropped below an RSI of 30.

With that in mind, here are two stocks that are currently in oversold territory. Is the recent downtrend justified or does it represent a buying opportunity? Let's take a look.

BlackBerry

It has been a rough week for **BlackBerry** (TSX:BB)(NYSE:BB). Since announcing second-quarter results that missed expectations, the company's share price has tumbled. On the day of earnings, it lost 22% of its value and as of writing is down 30% since Tuesday's earnings release. As a result, the company is now one of the most oversold stocks on the index with a 14-day RSI of 23.90.

The recent selloff is entirely earnings driven. BlackBerry posted a net loss of $0.10, double the $0.05 expected and revenue of US$244 million also missed expectations by approximately $7 million. The company has also been criticized for its insistence on using non-GAAP numbers in earnings releases. By using non-GAAP numbers, it hides the fact that its software and licencing segments have been struggling.

Is the company a buy on weakness? BlackBerry had a strong period in which it beat estimates in eight straight quarters. This is the first quarterly miss in two years, and it still has a strong pipeline of products. If you believe in Chen and company, this may be the perfect time to pick up shares on the cheap.

CCL Industries

Another casualty of poor results, the usually reliable **CCL Industries** (TSX:CCL.B) has been in a steady downtrend for approximately two months. Over that period, it has lost approximately 18% of its value. With a 14-day RSI of 24.70, the stock is now oversold.

Over the past five years, CCL Industries has averaged 28.2% annual returns. It has a current P/E of 19.19, and it is worth noting that it hasn't been this cheap since 2015. Although the company's growth rate has slowed this year, it is still expected to grow earnings by 10% annually over the next 10 years. Not to mention, the company is a Canadian Dividend Aristocrat. It has an 18-year dividend-growth streak in which it has consistently raised dividends by double digits.

Despite its difficult quarter, this is still a best-in-class packaging company whose third-quarter outlook calls for improvements across all segments. The selloff appears overdone, and it looks to be a good candidate for a positive breakout. Analysts agree with eight buy ratings and a one-year price target of $68.89, which implies 28% upside from today's share price.

CATEGORY

1. Dividend Stocks
2. Investing
3. Tech Stocks

TICKERS GLOBAL

1. NYSE:BB (BlackBerry)
2. TSX:BB (BlackBerry)
3. TSX:CCL.B (CCL Industries)

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