2 Oversold Stocks That Have Earnings Coming Up!

Description

Buying stocks when they're at or near their lows could be a great way to maximize your potential returns. While timing the markets may not be the best strategy, that doesn't mean that when a stock goes on sale that you shouldn't jump on the opportunity, especially if it's a quality investment.

The two stocks below are both quality stocks that have fallen into oversold territory. And to make them even more enticing, they've also got earnings coming up and could see a jump in their share prices, especially if there's a good quarter to report.

The first stock is **Canadian National Railway** (TSX:CNR)(NYSE:CNI). In just the past month, the stock has fallen more than 8%. Concerns about the economy and trade are definitely weighing on CN Rail; after all, a lack of economic activity would mean fewer goods that get transported on the company's railways.

However, with the country still creating jobs, it may be a bit premature to anticipate a downturn just yet. For that reason, I'd still hold out some hope that CN Rail could have a good quarter when it goes to report later this month.

Last quarter, the company reported a good earnings result, and the stock did see a boost in share price after it had been struggling. However, with the markets being as volatile as they've been, CN Rail stock failed to build on that momentum.

However, what makes the stock even more appealing now is it is trading at lows not seen since February, and it's also oversold with a Relative Strength Index (RSI) of 25. When RSI, which looks at a stock's gains and losses over the past 14 trading days, falls below 30, it suggests that the selling of a particular stock has been excessive and that a recovery could take place, especially if there's not a good reason for it.

And in CN Rail’s case, that looks to be the case. The last time the stock was this badly oversold was back December of 2018 when the markets were falling. Had you invested in the stock back then, you would have had some very good returns. However, there’s no guarantee that will happen again this time around.

Canadian Pacific Railway (TSX:CP)(NYSE:CP) is also in similar territory, as it has an RSI of just 26. And although it has fallen 11% in the past month, you don’t have to go back to February to find the stock at a lower price as CP Rail was at these levels back in April. But like CN Rail, its stock has also not been oversold since December. CP Rail has simply gone on wider swings along the way.

Both stocks are going to be in the same boat in terms of the economy. The one advantage CP Rail has is that the stock is a bit cheaper at a price-to-earnings ratio of under 17 versus the multiple of 18 that CN Rail trades at. Ultimately, there’s not a whole lot separating these two stocks, as they’ll both be impacted similarly by the economy.

Another differentiator is that CP Rail has a smaller dividend than CN Rail, although it did recently increase its dividend in a big way. For dividend investors, CP Rail could be the more attractive long-term option if the company continues raising its payouts, while short-term investors might prefer CN Rail’s higher rate today.

Ultimately, either one of these stocks could be great buys, and there’s not a whole lot separating them today.

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Author
djagielski