2 Oversold Dividend Stocks to Buy Now and Hold for Decades

Description

A guilty pleasure of mine is to scour the list of stocks that are currently oversold. How can one determine if a stock is oversold? One of the most common metrics used is the 14-day relative strength index (RSI). The 14-day RSI is a momentum indicator, and an RSI under 30 is a sign that the company's stock has entered oversold territory.

For those looking to time an entry into a particular position, a stock with an RSI below 30 is usually a sign that the company's stock is bottoming. As a result, there is a good chance that the stock will bounce over the short term.

It is not often that high-quality companies enter oversold territory. A high-quality company is one that you should be comfortable owning for years to come. There are many dividend-growth investors who adhere to this buy-and-hold concept. Taking this into account, there are three dividend stocks that have entered oversold territory and are worthy of your consideration.

Restaurant Brands International

As the parent company of Burger King, Popeyes, and Tim Hortons, **Restaurant Brands International** (TSX:QSR)(NYSE:QSR) needs no introduction. It is the premier quick-service restaurant company in Canada.

Earlier this week, the company entered oversold territory with a 14-day RSI of 28.65. It is a rare and unique event for the company, and one that investors should pay close attention to. Since the two aforementioned companies merged to form Restaurant Brands International back in 2014, not once has QSR stock entered oversold territory.

If you were looking for an entry point, now is the time. Restaurant Brands raised its dividend this past March, and with the raise, that extends its dividend-growth streak to five years. As such, will become a Canadian Dividend Aristocrat at year end. This is good news for investors, as it will mean funds that track Aristocrats will be adding the stock to their holdings.

Pizza Pizza Royalty

The markets haven't been kind to the restaurant sector as of late. Another Canadian staple, **Pizza Pizza Royalty** (TSX:PZA) has also struggled. It dipped below an RSI of 30 (29.42) on Tuesday — the first time it has entered oversold territory this year.

Investors aren't buying into Pizza Pizza for outsized gains. In fact, the company has struggled over the past couple of years, as it has lost 44% of its value. Although the future looks stable, this is not a company that is growing at a rapid pace. Analysts expect the company to grow earnings by a mere 3% on average through 2021.

The main reason to take a stake in Pizza Pizza is for the company's juicy dividend. As of writing, the pizza chain currently yields 8.77% — far above the industry average. If you are worried about the company's payout ratio, don't be. The company was formerly an income fund, and its structure is as such that it is expected to payout the majority of earnings in dividends.

In the company's own words, "Our payout ratio will always be relatively high, since we do not have capital expenditures or employees. Net profit generated after taxes, interest and administrative expenses is available for distribution." In other words, it payout ratio should be around 100%.

If you're looking for a consistent and reliable income stream, this monthly dividend payer is a slice!

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2. TSX:PZA (Pizza Pizza Royalty Corp.)
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