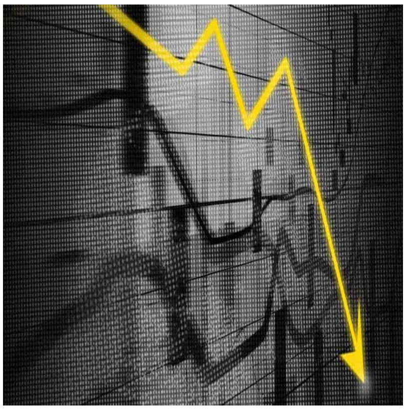

2 Stocks Near a 52-Week Low: Should You Buy the Dip?

Description

The S&P/TSX Composite Index moved up 110 points on November 1. The index enjoyed a strong finish to the month of October. Today, I want to look at two stocks that have failed to generate momentum with the broader Canadian stock market. Should investors look to potentially buy low in early November? Let's dive in and see.

Stella-Jones

Stella-Jones (TSX:SJ) is a Canadian manufacturer of treated wood products. The stock has dropped 6.3% in 2019 as of close on November 1. Shares have plunged 9% over the past three months.

In March, I'd discussed why Stella-Jones was a company that could benefit from a low Canadian dollar. The Canadian dollar has put together a strong 2019, as the Bank of Canada (BoC) has maintained its holding pattern when it comes to interest rates. The U.S. Federal Reserve, however, has moved forward with three rate cuts this year. Still, the Canadian dollar fell into late October as analysts expect the BoC to cut rates soon in response to global trade uncertainty.

Stella-Jones's U.S. sales have historically been bolstered by a softer Canadian dollar. Still, in the second quarter, the company reported relatively stable sales that came in at $661.8 million. EBITDA rose 18% year over year to $94.2 million. Stella-Jones said that it expects higher year-over-year sales for the full year, which should make investors take notice as we look ahead to its next quarterly report.

The company is expected to release its third-quarter results on November 7. Stella-Jones stock currently possesses a price-to-earnings (P/E) ratio of 17.2 and a price-to-book (P/B) value of 1.9. Shares had an RSI of 30 at the time of this writing, putting it right on the edge of technically oversold territory. The stock offers a quarterly dividend of $0.14 per share, which represents a modest 1.5% yield.

Pason Systems

Pason Systems (TSX:PSI) is an oilfield specialist with fully integrated drilling data solutions. Its stock has dropped 19.5% in 2019 as of close on November 1. Shares are down 10% over the past month. Pason is set to release its third-quarter results on November 6.

In the second quarter, Pason reported a 7% year-over-year increase in consolidated revenue to $72.9 million. Adjusted EBITDA increased 4% from the prior year to $30.7 million. The company also reported a 32% jump in free cash flow to $32.5 million.

The company has faced headwinds in the oil sector in the form of decreased activity in North America in 2019. However, Pason has reported solid growth in its international markets as well as a higher market share overall in the United States and Canada. It expects to continue to generate growth from its international footprint in the back half of this year.

I'd originally targeted Pason in the month of September. It reached a 52-week low in October. The stock possesses a P/E ratio of 16.6 and a P/B value of 3.2 as of close on November 1. Shares had an RSI of 28 at the time of this writing, putting Pason in technically oversold territory. The company last boosted its quarterly dividend to $0.19 per share, which represents an attractive 5.3% yield.

Headwinds in the sector have been troublesome for Pason. Income investors may be swayed by its nice yield, but I'm looking closer at Stella-Jones in early November.

CATEGORY

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2. Investing

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1. Editor's Choice

TICKERS GLOBAL

1. TSX:PSI (Pason Systems Inc.)
2. TSX:SJ (Stella-Jones Inc.)

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