This Absurdly Cheap Dividend Stock Just Hit a Colossal Buy Signal!

Description

We're fundamental analysis first here at the Motley Fool. However, in certain instances, embracing technical analysis can supplement your research and help you get a better near-term entry point in a stock that you already intend to hold for the long term.

Whenever you've got a company with a strong fundamental story with a stock that's attractively priced, and the technicals imply substantial nearer-term upside, you've got an incredibly timely stock that you should pull the trigger on.

As you may have guessed, it's quite rare, especially in a market that's at all-time highs, to find a stock that at any time meets all three criteria: being cheap, fundamentally sound, and technically strong.

At today's levels, I do see one such stock that I'm inclined to pound the table on. Enter **Shaw Communications** (TSX:SJR.B)(NYSE:SJR), an out-of-favour Canadian telecom that I believe just hit a massive buy signal, with a green light in value, fundamentals, and timeliness.

Value and fundamentals look attractive at around $27

Shaw stock has been hovering in limbo for many years now, with many long-term shareholders having little to no capital gains to show from their investment. At time of writing, the stock sports an attractive 4.43% dividend yield, which is capable of growing at a rampant rate in the years ahead as the company doubles-down on its expedition into the wireless arena with Freedom Mobile.

At time of writing, the stock looks absurdly undervalued at just 8.1 times EV/EBITDA and 2.1 times book, both of which are lower than that of the stock's five-year historical average multiples of 9.2 and 2.3, respectively.

Given that Shaw is in a position to continue to disrupt the Canadian wireless industry as new telecom tech (including 5G) is rolled out, I find it undeserving that the stock trades as though it's taking the role of the disrupted.

Reverse head and shoulders pattern could imply a move past $31

To make the Shaw story even sweeter, a reverse head and shoulders (H&S) technical pattern looks to be in the works that, if successful, could bring the stock back to all-time highs levels just north of $31.

The neckline lies at $28, and while the pattern may not fully come to fruition, I do think Shaw’s recent post-earnings optimism could be the rally fuel that Shaw needs to finally break out of its funk.

The company also announced its intention to repurchase approximately 5% of outstanding class B shares, which appears to reinforce my belief that shares are severely undervalued given the continued momentum at Freedom Mobile.

Foolish takeaway

Shaw has it all. A large dividend, a promising long-term growth story, and a rock-bottom valuation. And the cherry on top of the sundae is the potential H&S technical pattern, which could see Shaw roar loudly over the coming months.

It’s time to buy today before the price of admission goes way up.

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