ALERT: 2 Top Canadian Stocks That Just Sent off a Buy Signal

Description

The **S&P/TSX Composite Index** hit some turbulence last week. Global stocks were shaky as news of the coronavirus outbreak in China and other countries worldwide appeared to rattle investors.

Futures were down sharply at the time of writing and gold was surging as reports poured in that China was struggling to contain the extremely alarming situation in Wuhan. Canada reported its first presumptive case of coronavirus last week.

Today I want to look at two stocks that sent off buy signals in trading late last week. The drop in these equities was not connected to the broader sell-off due to the coronavirus, but to other factors. Should investors look to jump on these stocks as the broader market retreats? Let's dive in.

Spin Master

Spin Master (TSX:TOY) is a Toronto-based global toy and entertainment company. Some of its top brands include Tech Deck, Hatchimals, Air Hogs, Etch A Sketch, and PAW Patrol. Its stock has plunged 15% over the past month as of close on January 24.

Back in March 2019, I'd discussed Spin Master stock after it had fallen sharply following the release of its Q4 and full-year results for 2018. At the time, I'd suggested that investors take advantage of the post-earnings dip as the company still had promising fundamentals. This time, shares fell after Spin Master cut its sales forecast because of problems in its distribution system and fallout from global trade disputes.

Management said that the company erred when it tried to consolidate its four distribution centres into one in the middle of the busiest time of the year.

The company expects gross products sales to be flat compared to its 2018 fiscal year. Spin Master still boasts an immaculate balance sheet and promising growth potential.

The stock last had an RSI of 24, putting Spin Master in technically oversold territory. This is an opportune time to buy low in a toy company with solid growth potential.

Bombardier

Bombardier (TSX:BBD.B) stock has fallen 36% over the past month at the time of writing. The Canadian transportation and aerospace giant wrestled with disappointments and false starts over the past decade.

In January, Bombardier slashed its 2019 financial forecast for the second time in a year, warning that it may have to abandon its joint venture building the A220 aircraft with Airbus.

The company was forced to make this adjustment due to delayed deliveries, extra production costs for its rail projects, and missed milestones.

Unfortunately, much of this is the same old story for Bombardier. In this case, it is compounded by the threat of abandoning the Airbus partnership. It also dampens the perceived comeback story in the latter half of 2010.

Back in May 2019, I'd suggested that Bombardier was still an attractive target as investors waited the unveiling of its Global 7000 series aircraft. It has also made encouraging progress with its balance sheet. The stock would rise into the early summer, albeit was derailed by a disappointing earnings report in early August.

Shares of Bombardier had an RSI of 25 as of close on January 25, putting the stock in technically oversold territory. In the event of further disappointments, Bombardier still has options in the form of major assets it can liquidate.

Its aviation segment is in danger of being degraded. According to reports from Reuters, Bombardier has approached Alstom and Hitachi about the possibility of a rail merger.

Bombardier still has outs, but the stock has been historically volatile and investors should be aware of the risks if they choose to buy on the dip right now. Of the two I've covered today, I like Spin Master more as a buy-the-dip opportunity.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:BBD.B (Bombardier)
2. TSX:TOY (Spin Master)

Category

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