



TSX Stocks: 3 OVERSOLD Canadian Giants to Buy Today

Description

The strange rally in **TSX** stocks took a breather last week. Since March, Canadian broader markets have soared more than 35%, marking it an epic recovery. However, many TSX giants traded notably lower last week, pushing them in the oversold zone.

Investors should note that stocks with a relative strength index (RSI), a momentum oscillator, below 30 are oversold, and stocks with an RSI above 70 are overbought. Extreme RSI readings indicate the impending reversal in the stock's direction.

Let's take a look at such oversold TSX stocks with strong fundamentals that offer handsome upside potential over the long term.

Top TSX stock: Suncor Energy

Canadian energy giant **Suncor Energy** ([TSX:SU](#))([NYSE:SU](#)) has traded largely range-bound in the last three months. Crude oil prices were quite volatile this year, which weighed on energy stocks.

Suncor Energy is relatively well placed in the current crisis, mainly due to its large downstream operations. Lower crude oil prices dent its margins on the production side, but they minimize the input costs for the downstream operations, offsetting the impact to some extent.

However, energy markets might continue to trade volatile driven by the supply glut. Lower demand driven by the virus outbreak and record production in an already oversupplied market will likely push oil prices lower.

Suncor Energy stock looks reasonably valued at the moment. I see it as a lucrative bet if you are looking for something in the Canadian energy patch. Its strong fundamentals and stable dividends make it [an attractive investment proposition](#) for the long term.

Top TSX stock: Bank of Nova Scotia

The recent weakness also pushed **Bank of Nova Scotia** ([TSX:BNS](#))([NYSE:BNS](#)) stock in the oversold zone. The third-biggest bank by market capitalization reported relatively better earnings for the last quarter. Its premium yield and a discounted valuation at the moment make it nothing short of a steal.

Bank of Nova Scotia has seen multiple economic downturns in the past, and it has emerged stronger every time. I don't expect an immediate unscathed recovery from BNS from the current crisis. But I think its diversified revenue base and high-quality loan portfolio will support a relatively faster recovery.

Bank of Nova Scotia stock offers a dividend yield of 6.5%, which is higher than top Canadian peer banks. It has been paying [dividends](#) for the last 187 years.

For long-term investors looking to bet on the Canadian banking sector, Scotiabank looks an attractive option that offers stability and solid total return prospects.

Top TSX stock: Restaurant Brands International

Shares of the quick-service restaurant operator **Restaurant Brands International** ([TSX:QSR](#))([NYSE:QSR](#)) notably outperformed broader markets recently. The stock rose more than 100% in the last three months, while the **TSX Index** was up only 35%.

The restaurant stock surged as economies re-opened, expecting a faster recovery than peers. However, importantly, even if Restaurant Brands manages to open all of its restaurants, it will likely operate at a significantly reduced capacity. That might hinder its near-term financial performance, which could weigh on the stock.

However, I am bullish on Restaurant Brands stock because of its attractive long-term growth prospects. I don't see any meaningful changes in people's eating-out habits after the pandemic. Restaurant Brands stock looks trading at a premium at the moment, but I think its superior expected earnings growth and a premium dividend yield justify that.

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2. NYSE:QSR (Restaurant Brands International Inc.)
3. NYSE:SU (Suncor Energy Inc.)

4. TSX:BNS (Bank Of Nova Scotia)
5. TSX:QSR (Restaurant Brands International Inc.)
6. TSX:SU (Suncor Energy Inc.)

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