



## 2 Oversold Canadian Stocks That Could Have Further to Fall

### Description

Oversold Canadian stocks and the 52-week low list are a great place to check if you're in the markets for a deep-value bargain. Undoubtedly, the names that exhibit recent weakness are not necessarily undervalued or overdue for a correction to the upside.

There are many value traps out there that may actually have more baggage than is priced in at current levels. As such, investors should not neglect their analysis when it comes to such names. Arguably, investors should put in even more due diligence when it comes to names that have been trading water of late to avoid being caught in a value trap that may lead to steep losses. In many instances, quickly retreating stocks could have further to fall. And it's tough to catch a falling knife without enduring at least a bit of damage.

Without further ado, consider **NFI Group** ([TSX:NFI](#)) and **Barrick Gold** ([TSX:ABX](#))(NYSE:GOLD), two Canadian stocks that have been on the receiving end of late. Both names may be modestly undervalued, but it may be tough to call a bottom in either name just yet, given the heavy baggage that each firm is carrying and the negative momentum that could easily build on itself as we head deeper into this seasonally weak period.

### NFI Group

NFI Group steered off the road on Monday, with shares tanking a very painful 24%. This isn't NFI Group's first massive fumble, and it probably won't be the last. Past operational hiccups have haunted long-time shareholders. The latest warning amid ongoing COVID-induced supply chain issues is the latest concern on the minds of investors. Undoubtedly, NFI was already a cheap stock prior to it shedding a quarter of its value in just a single trading session. Is this the bottom? Probably not.

The Winnipeg-based maker of coaches will not have an easy solution to its latest woes. As such, I would stay cautious on the name and wait for the haze to clear before even thinking about initiating a contrarian position. It was a devastating blow. There's no question about that. But the stock is still up 33% over this past year and at breakeven year to date. The stock still has a way to go before it hits its \$15 support level that was the trading range for most of 2020.

While the stock looks cheap, I'd much rather back away and watch from the sidelines for now. There's too much cause for concern, and it complicates the valuation process.

## **Barrick Gold**

Barrick stock has been one of the TSX's biggest laggards this year. The stock finally did get a break on Monday, rallying 2%, as broader markets sunk. Despite the nice daily gains, shares are still near their 52-week lows, and things could worsen if gold continues to tread water at the hands of cryptocurrencies.

Undoubtedly, gold isn't doing the best job amid this inflationary environment. Still, gold prices remain unpredictable. And I think it's too soon to conclude that it's on its way out at the hands of a digital currency that still seems unproven. In any case, Barrick looks sound technically and is a great buy, while shares sport a yield near the 2% level. If you're looking to diversify and are willing to take the pain, Barrick may prove to be a bargain in the grander scheme of things.

### **CATEGORY**

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2. Metals and Mining Stocks

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2. TSX:ABX (Barrick Mining)
3. TSX:NFI (NFI Group)

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### **PP NOTIFY USER**

1. joefrenette
2. kduncombe

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**Author**

joefrenette

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