2 Oversold Stocks That Could Surge Faster Than the TSX Index

Description

The TSX Index is dragging its feet into correction territory (that's a 10% drop from peak to trough), with central banks ready to crush inflation (and perhaps economic growth). While the negative market momentum makes it tough to be a buyer, I still think those with time horizons beyond 10 years shouldn't think twice about nibbling away at the bargains while they still last.

In bear markets, things tend to move incredibly fast and in both directions. If you try to time markets with the hope of skipping further downside, you could find yourself missing on the market's next leg higher. Indeed, the summer bounce was short-lived. But eventually, there will be a sustainable jump, and those who look to get out may be in a spot to miss the upside move. Simply put, most investors do not have the agility to get out before a huge drop and back in before the recovery surge. If you're a long-term investor, don't think so much about the near-term fluctuations and look to capitalize on intriguing opportunities as they come to be.

Like it or not, stocks are a better value today than during the back half of last year. And in this piece, we'll have a look at two severely oversold stocks that I think could be in a spot to rocket higher in the early stage of 2023.

Badger Infrastructure Solutions

Badger Infrastructure Solutions (TSX:BDGI) is in the business of mobile, non-destructive soil excavation using its fleet of trucks that use pressurized water (hydrovacs) for digging. Indeed, soil excavation is a dirty business, but somebody has to do it. Fragile underground infrastructure like pipelines could be fractured with traditional digging methods; Badger's hydrovacs are a much better (and more cost effective) solution for clients.

Undoubtedly, a majority of Badger's clients are in the oil and gas (O&G) space. In recent years, the energy space has enjoyed a massive windfall. This windfall, I believe, will eventually spread to Badger.

The stock is currently in the gutter (down around 35% to around $32 per share) due to sub-par results and disappointing margins. As management looks to improve upon its shortcomings, I wouldn't be surprised to see shares make a run for the $40 level.

The stock trades at just 1.6 times price to sales (P/S). After having missed on earnings for four straight quarters, I think the upside could be stellar if the firm can solve its margin issue.

NFI Group

NFI Group (TSX:NFI) is a bus maker that's seen orders steadily slip off a cliff in recent years. At writing, the stock has lost more than 78% of its value, even as the firm continues to innovate on the electric bus front. In due time, localities will look to electrify their bus fleet. But until then, NFI Group stock faces a tough road as we enter a recession year.

There is a considerable debt load weighing down the balance sheet. As order flow improves and management looks to stick with its original guidance, I'd look for NFI to show some signs of life. The stock trades at just 0.4 times P/S at writing with a 1.6% dividend yield.

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