



The 3 Most Oversold TSX Stocks to Watch Before 2023

Description

Hype in the stock market goes both ways. Sometimes, both institutional and retail investors are actively investing in certain stocks. As a result, the prices skyrocket, and the stock becomes “overbought.” In other instances, investors unload their shares in a specific company and exit the positions entirely.

When this happens en masse — i.e., a massive number of a company’s shares are dumped back into the market — the stock becomes “oversold.”

Sometimes, the rationale behind a mass exodus of investors from a company is reasonable and based on solid reasons. They get to turn in a neat profit (if they sell ahead of or at the beginning of the mass sellout) or cut their losses (if they wait for the oversold momentum to build).

But sometimes, it’s just hype working in the wrong direction. The metric used to calculate whether a stock is oversold or overbought is its Relative Strength Index (RSI).

Based on their RSI value, here are three of the most oversold TSX stocks that you may consider looking into.

A financing company

ECN Capital (TSX:ECN) stock has experienced three massive drops since the beginning of the pandemic. Once during the 2020 crash, then in Dec. 2021, and, more recently, its 55% fall in Aug. 2022. The RSI (14 days) spent most of November deep in the oversold territory (below 30). The stock is not only heavily discounted but also quite radically undervalued, with a price-to-earnings ratio of just 0.62.

The company’s financials follow nearly the same trajectory, though not with the same zeal, as indicated by the undervaluation.

And even if the stock doesn’t reach its post-pandemic peak when it recovers, it can still double your capital (almost) by reaching the comparatively modest pre-pandemic peak if you buy at the current

discounted price. The company has also slashed its payouts by a significant margin from the beginning of 2022.

A tech company

Another stock that spent most of the first half of Nov 2022 in the oversold territory is **Converge Technology Solutions** ([TSX:CTS](#)). A discounted tech stock is not a unique sight in the current market. The sector has started to recover from its tragic fall from the 2021 peak and is now keeping pace with the TSX.

Converge Technology isn't an exception to the rule either, though it has only started to recover in the month's latter half, unlike the **TSX Tech Index**, which has been going up since Oct. 2022. The stock's growth is backed by solid uplift in the revenue the company is bringing in every quarter.

We have yet to see how far the stock will go, but if the momentum of other [tech stocks](#) pushes it closer to an all-time high price point, you may be able to double your capital by buying now.

A healthcare company

Unlike the other two companies, **Medical Facilities** ([TSX:DR](#)) is still oversold, with an RSI below 30. It's also heavily discounted — 35% down from its yearly peak. This has pushed the dividend yield up to 4%, which adds to the allure of the stock. Its recovery-fueled growth potential is decent enough.

In the last 12 months, the stock has gone through two growth cycles, going up by over 50% and 40% respectively. The valuation is moderately high, and though there is little chance that the stock will reach its all-time high (2016), if you believe there is a modest chance of the stock achieving that, you can grow your capital three-fold by investing in this company.

Foolish takeaway

The TSX [bull market](#) has started, but it might just be a temporary reprieve before the 2023 recession that most financial analysts and experts are predicting. And just like right now, when a recovery is underway, it may be a good idea to look into the most oversold stocks when the market turns again after the next fall if one is triggered by the recession.

CATEGORY

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1. NYSEMKT:KTEC (KraneShares Trust - KraneShares Hang Seng TECH Index ETF)
2. TSX:CTS (Converge Technology Solutions)
3. TSX:DR (Medical Facilities Corporation)

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