

## Two Oversold Stocks that Could Return 25%

In 2005, 450 sheep jumped to their deaths, according to USA Today.

One sheep dove. Another followed. All of a sudden, a flock of sheep began jumping off a cliff for no real reason. Shocked shepherds would watch as another 1,500 jumped.

Many of the sheep unfortunately died.

Those that lived were lucky, landing on well... pillows.

All of those sheep were caught up in herd mentality. They jumped because all of the others jumped. And as uncommon as this may sound, it's not.

In fact, this very same thing happens each and every day among traders and investors.

We buy because everyone else does. We sell because every one else is.

It's herd mentality at its finest. And if you can spot where it's happening, while exposing the irrationality of the herd-like behavior, you stand to make a fortune. In fact, fear-based opportunities like this helped Warren Buffett, Sir John Templeton and Baron Rothschild build their massive fortunes.

- Warren Buffett, who tells us to be greedy when others are fearful, and fearful when others are greedy.
- Sir John Templeton, who taught us to buy on "excessive pessimism."
- Baron Rothschild, who taught us to buy when there's blood in the streets.

Each was also exploiting and profiting from herd mentality.

We can still use that same trading method today with stocks, indexes and ETFs.

In fact, here are two of my favorite oversold stocks worth buying right now.

**iRobot Corporation (NASDAQ:IRBT)** – Designs, builds, and sells robots for the consumer market worldwide. It offers Roomba floor vacuuming robots; Braava family of automatic floor mopping robots; Mirra Pool Cleaning Robot to clean residential pools and removes debris as small as two microns from pool floors, walls, and stair; and Looj Gutter Cleaning Robot. The company sells its robots through various distribution channels, including chain stores and other national retailers, its online store, and value-added distributors and resellers.



IRBT has become exceptionally oversold. When IRBT announced Q4 results the other day, it sent the stock down nearly 30%, despite strong quarterly growth and profits. Sales in the Christmas season were up 54% to \$327 million, beating expectations.

While its GAAP profits of 16 cents a share were down 67% year over year, its pro forma was twice that of expectations. Then, even though the company predicted it would see \$1.05 billion to \$1.08 billion in 2018 sales, and earn EPS of between \$2.10 and \$2.35, which will work out to 19% growth, the Street wanted to see \$2.70 instead.

Instead of focusing on the fact that the company will solidly grow, the Street butchered the stock on a below-consensus prediction range. We think the sell off is a bit ridiculous here. Even analysts at Raymond James think so, arguing that IRBT is oversold, and upgrading the stock to an outperform rating.

We'd like to see the stock refill its bearish gap at \$77.50, near-term.

**There are two ways to trade IRBT here.**

- **Buy the IRBT stock at market prices**

- Buy to open the IRBT March 16, 2018 67.50 calls

**Jacobs Engineering Group (NYSE:JEC)** – Provides technical, professional, and construction services. It offers project services that include engineering, architectural, interiors, design, planning, and related services, as well as planning, scheduling, procurement, estimating, cost engineering, project accounting and delivery, safety, and other support services.



One of the key reasons we like JEC is because of its exposure to infrastructure and the fact that the stock is considerably oversold at support.

American's infrastructure has been failing for quite some time.

One look at the countless potholes, congested roads, derailed trains, collapsed bridges and dams is proof enough. Just to fix it all could cost as much as \$3.6 trillion by 2020, says the American Society of Civil Engineers (ASCE). What's worse, the ASCE just gave current U.S infrastructure a D+ rating. Even the Federal Transit Administration (FTA) has estimated that there's an \$808.2 billion backlog in deferred maintenance on the nation's rail and bus lines. On top of that, according to the American Road and Transportation Association, nearly 56,000 bridges in the U.S. alone are structurally deficient. More than 25% of current bridges are more than 50 years old, as well.

However, the White House just released a \$1.5 trillion infrastructure plan to help rebuild the nation's roads, bridges and airports. Of the \$1.5 trillion, \$200 billion would come from federal funding. It's hoped that the balance of the \$1.5 trillion would come from incentivized states, localities, and the private sector.

In fact, according to the White House plan,

*“Under this program, state and localities would receive incentives in the form of grants. Project sponsors selected for award would execute an agreement with express progress milestones. Federal incentive funds would be conditioned upon achieving the milestones within identified time frames.”*

The plan also would boost investment for projects in rural America – including transportation, water, waste, power, flood management and ports – by \$50 billion. That's just part of the reason that related stocks, such as JEC could move higher.

**There are two ways to trade JEC here.**

- **Buy the JEC stock at market prices**
- **Buy to open the JEC April 20, 2018 62.50 calls**