

Five of the Most Oversold Drug Stocks – And How to Trade Each

Biotech took a massive hit in recent days.



That was because one, United Health Group issued a quarterly warning that scared investors from the sector. And two, the President and Congress are increasing pressure on high drug prices. Proposed solutions include allowing Medicare to negotiate drug prices. Another is to mandate that annual price increases of more than 5% to 10% be justified by additional research discoveries.

Both haven't been well received by drug stock investors.

However, we believe that a good deal of negativity has been firmly priced into some of the top drug stocks. Here are just a few of them, and how to trade them for potential wins.

Opportunity No. 1 – Amgen (AMGN)

In recent weeks, AMGN pulled back from \$195 to \$175 on the biotech pullback. However, it's now at major support where it historically bounces. It's also oversold on RSI, MACD and Williams' %R. We believe the stock could rally back to \$195, near-term.

One way to trade it is by buying to open the AMGN June 21, 2019 185 call at market.



Opportunity No. 2 – Merck (MRK)

Merck (MRK) is severely oversold at bottom of trend. It's oversold at its lower Bollinger Band, RSI, and MACD. We believe it could move back to its 50-day moving average at \$80 from a current price of \$76.

There are two ways to trade MRK.

One, you can buy the stock at market prices. And, or buy to open the MRK July 19, 2019 77.50 calls at market prices.

Opportunity No. 3 – Pfizer (PFE)

Pfizer also took a big hit, gapping lower to \$40 a share. It's oversold at its lower Band, and is considerably oversold on RSI, MACD, and Williams' %R. You can buy the stock at market prices. And, or buy to open the PFE September 20, 2019 40 calls at market prices.



Opportunity No. 4 – Eli Lilly & Co. (LLY)

LLY is also very oversold at its lower Band with over-extensions on RSI, MACD, and W%R. We believe the stock could rally back to \$130, near-term. Buy to open the LLY July 19, 2019 120 calls at market prices.

Opportunity No. 5 – Bristol Myers Squibb (BMY)

BMY just hit a 52-week low, which we believe is unsustainable. We believe that with time, the stock will recover significantly. It's BMY. It's not going out of business. And we strongly believe that investors are overreacting yet again. In addition, if you look at a five-year chart of BMY, each time it falls apart, it catches support at the same support line. Also, relative strength, MACD and Williams' %R tell us the stock is exceptionally oversold.

There are two ways to trade BMY at the moment.

One is to buy the BMY stock at market. The other is to buy a call option on BMY, notably the BMY September 20, 2019 45 calls at market prices.