

Biotech Stocks: Three of the Most Oversold Giants

One of my favorite ways to spot opportunity in the market is by buying fear.

Just as filthy rich investors have done before me.

Buffett advises to be greedy when others are fearful. Baron Rothschild advised to buy the blood in the streets, even if the blood was your own. Sir John Templeton advised to buy excessive pessimism.

One of the most beaten up sectors in recent weeks has been biotech.

But given 80 million retiring baby boomers, new innovation, surging merger and acquisition activity, and heavy demand for care, oversold opportunities become even more attractive.

We've spotted three and expect to see at least 50% returns from each with patience.

Biotech took quite a hit with the broader market recently.

But as the fear begins to dissipate, we're beginning to find inexpensive bargains, like Amgen (AMGN). After pulling back from \$190 to \$170, the stock appears to have caught support, now consolidating just below \$175 a share. From here, we'd like to see a potential re-test of \$190 highs.

We can profit from a potential move higher by buying to open the AMGN June 15, 2018 175 calls at market prices. The stock is far too cheap here especially after posting better than expected earnings.

Even Johnson & Johnson (JNJ) is on sale.

After pulling back from \$146 a share, the stock caught triple bottom support just under \$127. From here, we're looking for a potential bearish gap refill around \$142.50, near-term. **We can potentially profit from JNJ by buying to open the JNJ June 15, 2018 125 calls at market, too.**



One of the most unfairly beaten down stocks is also Bristol Myers (BMY).

The stock plummeted on news that a rival cancer drug could perform better than the one it's been working on. But what BMY has is just as incredible. Its Opdivo drug was found to reduce the risk of progression or death by up to 42% as compared to chemotherapy in first-line lung cancer patients with high tumor mutational burden.

As you can see in the BMY chart, the sell off is considerably overdone.

Not only is it below its lower Bollinger Band (2,20), RSI, MACD and Williams' %R are all deep in oversold territory. It's unsustainably cheap here.



There are three ways to potentially profit from BMJ.

One, we can buy the BMJ stock. We can also buy to open the BMJ May 18, 2018 52 calls, as well as the BMJ June 15, 2018 52.50 calls.

The fear is way out of hand with each of these stocks.

And we're going to do our best to make as much money from that fear as possible.