Five of the Most Oversold Stocks to Consider for 2019

The Dow Jones opened 418 points higher on Monday. The NASDAQ is up 123. The S&P 500 is rocketing higher by 37. All as President Trump and China President Xi Jinping put the trade war on hold for the next 90 days.
There's now hope the Dow Jones can regain most of what it lost since October 2018, and rally back to 27,000, as long as the trade war fears begin to dwindle.

This gives us an opportunity to buy into some of the most severely oversold stocks on market, including those in the badly damaged tech sector.

Five of our favorite opportunities include:

Opportunity No. 1 – Extreme Networks (EXTR)

EXTR for example took a nasty dive this year along with most of the tech sector, but it’s now become severely undervalued and oversold. Analysts strongly believe company earnings could increase by more than 40% in 2019. Yet, the stock trades at just 8x forward estimates. The company even started on a $60 million buyback program to take advantage of its low share cost.

Opportunity No. 2 – Advanced Micro Devices (AMD)

In our opinion, after the tech rout, stocks like AMD are considerably oversold. With patience, we believe the stock could challenge $34 a share again, near-term. Not long ago, Bank of America Merrill Lynch is getting more bullish on the stock, too.

The firm raised its price target to $35 from $25, citing the chipmaker's process manufacturing advantage over Intel. Bank of America also reiterated its buy rating for the chipmaker. "AMD's accretive share gains could extend given main rival's Intel's manufacturing challenges," analysts noted. "We anticipate continued positive news flow around customer traction (engaged with all top 7 cloud providers, only announced 3 thus far); and around the pipeline."

Opportunity No. 3 – DocuSign (DOCU)

In its last quarter, revenue was up 33% year over year. The company also raised its revenue outlook for the year, expecting $683 million to $688 million. That's up nicely from a previous revenue forecast of $652 million to $658 million. Unfortunately, it also pulled back with the broader market. But, there is considerable upside opportunity. For one, we have to remember that DOCU is the world's leading e-signature company. It's also a leader in digital transaction management – a sizable sector that's helping companies convert paper-based processes to digital.

That gives DOCU access to a $30 billion market by 2020, notes Aragon Research.

We also have to consider its strong customer base. In 2017, it welcomed another 85,000 new customers to its platform, which includes 10,000 companies. It ended the year with 370,000 new customers. And, while those may sound like impressive numbers, the company believes it still represents less than 1% of its core target market. In short, there is considerable growth still ahead. With a powerful story, an even more powerful customer base, and sizable growth in the wings, shares of DocuSign are considerably cheap.

Opportunity No. 4 – Activision Blizzard (ATVI)

A very oversold Activision Blizzard is a holiday stocking stuffer this year. It's also greatly oversold technically at its lower Bollinger Band (2,20), MACD, RSI and Williams' %R are also oversold at this point, ready to bounce higher. While there have been hiccups this year in the gaming sector, ATVI has a solid history of running higher in the holiday months. In fact, in each of the last five years, it's run higher around the holidays.

Opportunity No. 5 – Aphria Inc. (APHA)

For one, the stock recently listed on a major exchange.

In fact, it's now listed on the NYSE along with Canopy Growth (CGC) and Aurora Cannabis (ACB). This now makes the stock much more accessible to a larger base of investors.

Also, with recent partnerships, supply agreements, and acquisitions, APHA could become Canada's third biggest supplier with annual production of 255,000 kilograms by 2019.

Plus, given the expected demand in Canada, the stock could be one of the most explosive.

In fact, reaching the Canadian recreational market shouldn't be a problem for the company either. It already secured major supply agreements with all of Canada's provinces.

It's agreement with Southern Glazer's Wine and Spirits is substantial.

This could be advantageous when the sale of cannabis-infused drinks become popular. While APHA has yet to partner with a major beverage company that could change, given Constellation Brands and Molson Coors interest in the sector.