



Kick Off the Fall Season With These 3 Seasonal Stocks

Description

With fall just around the corner, investors have an excellent opportunity to combine well-known seasonal trends with long-term investing. Seasonal trends are events that recur every year and, as a result, lead to profitability for a stock over 50% of the time (but usually much higher) during the period in question.

During the fall, there are several sectors—like retail and agriculture, for example—that traditionally perform very strongly, with retail being profitable during 88% of the past 23 autumns. Purchasing high-quality names in these sectors before a period of seasonal strength can greatly increase the odds of your stock moving in the right direction early on.

Three stocks that are entering high-probability periods of seasonal strength this fall are **Canadian Tire Corporation Limited** ([TSX:CTC.A](#)), **Agrium Inc.** (TSX:AGU)(NYSE:AGU) and **Brookfield Property Partners L.P.** ([TSX:BPY.UN](#))(NYSE:BPY).

Canadian Tire shows strength between September and January each year

Canadian Tire is one of Canada's largest retailers, and is the owner of numerous brand names, including Mark's Work Warehouse, Sport Chek, and PartSource. With excellent brand recognition, Canadian Tire has been surfacing value recently through the creation of a REIT. This allows the company to obtain capital for expansion of its retail business while surfacing the value of its exceptional real estate portfolio.

Canadian Tire sees seasonal strength each year between September and January due to the fact that fall sees consumers performing fall clean up and winterizing before snowfall, which involves sales of snow removal equipment, winter apparel, and winter sporting goods.

In addition to this, fall has rapidly increased sales at all retail locations due to holiday spending as well as Black Friday, which occurs at the end of November in Canada. The end result is that Canadian Tire has averaged a 7.5% return over the past 18 years between September and December.

With Canadian Tire currently trading at a discount to its home improvement and general merchandise

retail peers, this is an excellent time to initiate a long-term hold in Canadian Tire.

Agrium has a large boost in the fall due to more farmer spending

Like Canadian Tire, Agrium has strong seasonal strength between October and January each year. In fact, Agrium shares have had an average gain of 13% between October and January during the past 20 years, with this period being profitable over 75% of the time. The reason for this is due to farmer purchasing behavior.

Typically, farmers spend money during the fall because they have cash at this time of year due to the completion of harvest, but also because farmers will typically purchase crop nutrients, merchandise, and crop protection products in preparation for the following year's planting season. In addition, many farmers apply fertilizers during the fall to improve soil conditions, and they have more free time than they do during the busy spring planting season.

These factors, combined with purchases made before the year-end for tax optimization purposes, lead to more sales for Agrium in the fall. Currently, Agrium is expected to have double-digit free cash flow growth over the next few years as it finishes capital projects, and with a dividend that is expected to mirror this growth, now is an excellent time to initiate a position in Agrium for the long term.

Brookfield Property Partners also sees some seasonality

While certainly not as seasonal as the previous two names, Brookfield Property Partners has some seasonal strength before the holiday season.

In Brookfield's quarterly report, it states that fourth quarter typically has stronger performance from retail assets in conjunction with the holiday season. Brookfield holds extensive retail property, and while, for the most part, the company receives set rents from tenants, Brookfield can receive additional revenue on top of its base rent when tenants' sales targets are met.

Expectation of positive holiday spending can also send REITs like Brookfield higher during the fall. With a nearly 5% yield, now is a good time to purchase shares in Brookfield.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:CTC.A (Canadian Tire Corporation, Limited)

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