3 Retail Stocks to Buy Before the "Santa Claus Rally"

Description

After a summer with huge jumps in stock prices in practically every sector, the month of October had some shocking drops, making analysts dub the month "Shocktober." But those analysts have a new phrase you'll want to remember, because it's not just the wintery weather that's telling Canadians Santa Claus is coming.

The "Santa Claus Rally" usually hits well into the holiday season, with strong stock performance happening in the last five trading sessions of the year and the first two of next year. But this year could see buyers getting in the holiday spirit in early December, says Scott Wren, senior global equity strategist at Wells Fargo Investment Institute.

So, what's driving this change? The biggest factor is shoppers themselves. Canadians plan to spend an average of $675 over the holidays, according to the Retail Council of Canada's Holiday Shopping Survey 2018, with 87% finding it important to purchase from a Canadian retailer.

And, of course, those low "Shocktober" stock prices are the other factor. The S&P 500's average return during the "Santa Claus Rally" is 1.35%, so investors should see an early and strong rebound, especially in strong Canadian retail companies like these.

Hudson's Bay (TSX:HBC)

It's been a rough year for the Canadian retail giant with HBC falling almost 25% and reaching its 52-week low of $7.27 on Nov. 19. Poor quarters over the past few years have made investors wary, some worrying HBC could become another Sears. But that's where they're wrong.

Where both HBC and Sears had to reduce their debt load by selling real estate, Sears saw plunging sales, while HBC's increased year over year. These sales, along with its real estate deals, should slash HBC's debt in half, lifting its earnings by hundreds of millions of dollars.

The Bay is also set to complete a $250 million makeover of the Saks Fifth Avenue flagship store in early 2019, with new CEO Helena Foulkes digging into the company's performance. So, with so much in play and a stock so low, investors should buy before the holiday rush.

Lululemon Athletica (NASDAQ:LULU)

Where HBC has seen a rough year, it's been the polar opposite for Lululemon. The stock jumped an incredible rate of more than 50% since the beginning of the year, and analysts believe even more opportunity awaits for the Vancouver athletics apparel company.

Lululemon's estimated growth for this year is 38.2%, according to Zacks Consensus Estimates, comparing that to 19.3% for the textile-apparel industry. Its 2020 strategy should make investors even more excited, with the company looking to double its revenues to about $4 billion and more than double its earnings. It has four strategies in place to do this, but the most exciting is international expansion. The company has no stores in Europe or Asia, although there has been success in those countries through pop-up stores.

For Q3, Lululemon is projected to earn $0.69 per share, with sales of $733.09 million, up 18.43% from a year ago, according to Zacks. Yet in the past week, stock prices have dropped by almost 15%, making it an ideal time to buy.

Canada Goose Holdings (TSX:GOOS)(NYSE:GOOS)

Canada Goose has been keeping investors warm since going public in 2017. Analysts keep putting out predictions, and the winter-apparel company keeps soaring past them. The stock rose by more than 100% in the past year, with revenue increasing by 34% to 230.3 million, despite analysts' predictions of $197.9 million.

But stock prices at record-high numbers shouldn't scare investors away. Canada Goose continues to attract investment by opening new stores (which now includes Beijing), acquiring winter boot company Baffin Inc., and even equipping stores with a cold room where customers can test their products at temperatures as low as -25°C.

All of this makes what CEO Dani Reiss said too true: "With such an outstanding first half of the fiscal year, we are in a strong position ahead of our peak selling season."

CATEGORY

1. Investing

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. NASDAQ:LULU (Lululemon Athletica Inc.)
2. NYSE:GOOS (Canada Goose)
3. TSX:GOOS (Canada Goose)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Investing

Tags

1. Editor's Choice

Date
2025/08/22
Date Created
2018/11/22
Author
alegatewolfe