2 Top 52-Week Breakout Stocks That Could Finance an Early Retirement

Description

The year 2019 was a huge turning point, and with a great start to March, it appears that the average investor has forgotten what it was like to experience a down day. Indeed, fear turned to greed in what seemed like an instant following Fed chairman Jerome Powell's dovish commentary from his meeting minutes.

We're not fighting the Fed anymore, which is good for stocks. But before you start loading up on any breakout performer, you may want to consider buying quality stocks that have broken out of multi-year periods of consolidation. In technical analysis, the longer the period of consolidation, or the longer a stock remains flat, the more explosive the upside move will be once the stock breaks through its long-term ceiling of resistance.

As a fierce skeptic of the effectiveness of technical analysis, I believe it can't hurt to consider the technicals as secondary to the underlying fundamentals of the business that's behind the stock. Technicians could care less about the fundamentals, but if used in tandem, I believe incredible results could be realizable for those willing to do the homework.

Without further ado, consider **Alimentation Couche-Tard** (TSX:ATD.B) and **Gildan Activewear** (TSX:GIL)(NYSE:GIL), two stocks that have traded in a consolidation channel for many years, but have recently broken out to new all-time highs. In the case of both stocks, buyers and sellers have engaged in a multi-year long game of tug-of-war, but now that the buyers have won the contest, I think both stocks could be ready to make up for lost time as we head into the latter part of 2019.

Market sentiment is nothing short of sanguine at this juncture, which is just fuel for Couche-Tard and Gildan, both of which have recently rewarded their patient investors who've stayed the course despite the lack of gains over the last few years.

Alimentation Couche-Tard

Couche-Tard stock is out of hibernation, but as I mentioned in previous pieces, the management team was still very much active in the background despite the loss of momentum in the stock. CEO Brian

Hannasch and company were unlocking further synergies from prior acquisitions, and with the much-needed “spring cleaning” out of the way, the resultant EPS boost has finally begun to be reflected in the stock price.

If you thought management was sleeping at the wheel, however, you probably convinced yourself to sell Couche-Tard, leading you to miss out on a heck of a rally. I’ve been very vocal in highlighting the fact that Couche-Tard was still a high-growth stock that would inevitably return to its former glory.

With debt levels retreating gradually, Couche-Tard could be ready for its next big M&A spree, which will add even more fuel to an already explosive stock that’s finally regaining the love that had been lost from Canadian investors.

Today, the stock trades at 23.7 times trailing earnings, which while seemingly expensive is peanuts when you consider the double-digit top- and bottom-line numbers that are likely ahead of us.

Gildan

Here’s another snooze fest that’s started to regain the attention of investors after a multi-year-long hibernation. The manufacturer of generic articles of clothing has been soaring recently.

The company’s private label underwear business shows tremendous promise. And if you’re giggling at or turning the page on Gildan because of this, you’re probably going to kick yourself later. You see, the underwear market is massive, and as a low-cost producer of generic essentials, Gildan stock could snap back (pardon the pun) should the company capitalize on the under-the-radar growth prospect.

Gildan is your typical boring stock, but if you’re like Warren Buffett, you know that boring is beautiful as an investment, and you’re probably licking your chops at today’s modest valuations. Buffett has his underwear exposure from Fruit of the Loom, and if you’re looking for a stable growth business, Gildan may be your underwear manufacturer of choice. In any case, Gildan looks like it could be headed a heck of a lot higher over the next year, as the quarterly results continue to move the needle.

Foolish takeaway

Couche-Tard and Gildan are back. Both stocks are breaking out big-time, and I think they’re heading much, much higher from here.

Stay hungry. Stay Foolish.

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