Santa Claus Rally: 2 Stocks That Could Soar Into Year-End!

Description

Last year, the Grinch stole the Santa Claus Rally from investors. But this year, with all the pessimism and recession fears now in the rear-view mirror, Santa Claus may finally be coming back to town with gains to be enjoyed by investors who've endured a year full of volatility.

A phase-one trade deal between the U.S. and China, a less hawkish U.S. Fed, and a strong third quarter of earnings have silenced the bears, paving the way for an unforeseen bout of optimism.

Although it'd be foolish (that's a lower-case *f*) to dismiss the U.S.-China trade war and potential election-year fears (many pundits believe an Elizabeth Warren win would mean the markets could fall more than 20%), I think it makes sense to buy a group of overly battered growth stocks that could be ripe for a significant rebound in the event of a sustained rally into year-end.

In no particular order, consider the following:

Canada Goose Holdings

Canada Goose Holdings (TSX:GOOS)(NYSE:GOOS) has been a dog over the past year, with shares continuing to tread water, as the slowed global economy has depressed the appetite for highly discretionary luxury outerwear.

Despite the recent bout of challenging economic conditions, the Goose continues to make progress at the company-specific level. Each sales channel (retail, e-commerce, and wholesale) is slated to unlock years, if not decades, worth of high-margin growth for the company that's a prime example of operational excellence.

Management led by CEO Dani Reiss is solid. Unfortunately, it doesn't matter if you've got the best managers in the world if you're in the business of seasonal discretionary goods; you're going to feel some pain when the economy grinds to a slowdown and consumer sentiment takes a hit.

As someone wise once said, though: “This too shall pass.”

And in the case of Canada Goose, I’d say the recent move back to all-time highs, with stronger-than-expected earnings in Q3, bodes well for retail plays going into the holiday season.

If the market is at all-time highs and you’re no longer worried about an imminent recession, you’re probably going to be more willing to spoil loved ones in your life for the holidays. And we enter the chilliest part of the year, Canada Goose could make up for lost time, and the stock could recover ground into year-end.

The company reports earnings on November 13. I’d buy half a position before and half a position after if you’re looking to get in a name that may soon re-gain its wings.

Spin Master

Spin Master (TSX:TOY) is another TSX dud that I think has bottomed out and may be setting the stage for a nice rally into year-end.

Now that everybody is peachy on the economy, with the plethora of big-picture concerns now forgotten, parents will be more likely to spend more to spoil their children and grandchildren come the holidays.

With a new lineup of toys featuring Owleez, a Hatchimal-looking owl that flies, Spin could easily correct to the upside in the months leading up to its fourth-quarter earnings report.

More recently, Spin reported meagre third-quarter numbers, which missed the mark on the earnings front ($0.90 adjusted EPS vs. $1.23 consensus) and the revenue front (US$548.1 million in revenue was down nearly 12%). Management expects organic gross product sales to grow in the low single digits for the year, which is a pretty low bar that’s now set for the firm moving into Q4.

The reaction was quite negative, but the stock managed to recoup a majority of the losses in the same day. It was a dreadful third quarter, but investors seem to be forgiving, as the firm heads into a period of seasonal strength.

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