



3 Stocks to Trade the Santa Claus Rally

Description

Although last year was a bit of a downer, most years see stocks engaging in a burst of yule-tide activity as the holiday season approaches. American Thanksgiving's Black Friday sales, Christmas, and a host of other holidays get people into the buying mood, which often results in a brief spurt before the end of the year where stocks begin to shoot up, colloquially known as the Santa Claus Rally.

Pretty much every listed stock can benefit from the stock-buying frenzy, but there are a few that might be poised to bounce more than others. Here are three stocks that could be positively impacted in the near future.

The short-term trade

Of all the stocks listed here, **Spin Master Corp.** ([TSX:TOY](#)) is the pure-play trade on gift-giving. The company responsible for Hatchimals, Air Hogs, and many other toys is set to cash in on the holiday gift-buying frenzy.

The company had some disappointing results in the Q3 2019 report, with revenue decreasing 11% year-over-year. This has led to a drop in the share price, which might be an interesting entry point for opportunistic investors. If holiday gift-buying heats up, there could be a surge in the stock price leading into the new year.

The high-risk, high-reward play

The formally superhot **Lightspeed POS Inc.** ([TSX:LSPD](#)) has retreated from its highs, losing a significant chunk of its value as it fell from around \$50 a share in August to about \$30 a share at the time of this writing.

But the point of sale (POS) system might be in high demand from businesses as they seek to beef up their ecommerce sites. Lightspeed helps businesses with inventory management, transaction, accounting solutions and more.

With online shopping continuing to develop into a major global force, Lightspeed is well positioned [to profit](#) from the trend.

In its Q2 2020 report, Lightspeed posted a 51% year-over-year gain in its total revenues. Recurring software and payments revenue increased by 52%.

As recurring revenue is extremely important for companies of this type, increases of this sort are very encouraging. Investors looking to cash in on end-of-the-year hype would do well with this sort of e-commerce business investment.

Although it's still very expensive and is in the speculative growth stage, Lightspeed has at least slowed down enough so that investors are not buying it at the top of its range.

The conservative approach

The stocks that I have already mentioned are very expensive and very risky. This fact is doubly true for Lightspeed, which is still very much in the growth phase and does not have any earnings as of yet to speak of.

As such, both Spin Master and Lightspeed are for risk-seeking investors who can stand a bit of volatility.

More conservative investors who like to [get income](#) from their stocks would be better off buying **RioCan Real Estate Investment Trust** ([TSX:REI.UN](#)). This REIT owns a lot of retail properties, the kind of stores where old-fashioned shoppers like myself still go to see the actual product before purchasing.

With its yield of well over 5% (5.35% at the time of this writing), investors will be able to see a return on their capital over time from distributions as well as from capital gains.

The rally may yet occur

Stock markets are now at all-time highs in many cases, signifying that we may currently be in the early stages of a Santa Claus rally. All of these companies may positively benefit from a rally, albeit to different degrees. The one you choose depends on your investing style and risk tolerance.

CATEGORY

1. Dividend Stocks
2. Investing
3. Tech Stocks

TICKERS GLOBAL

1. TSX:LSPD (Lightspeed Commerce)
2. TSX:REI.UN (RioCan Real Estate Investment Trust)
3. TSX:TOY (Spin Master)

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