2 Top Stocks to Buy Now for a Santa Rally

Description

The Santa Rally. What is it? It's kind of the opposite of the October Curse — a perceived buoyancy of the markets around the holiday period. Investors expect certain types of stocks, such as retail socks, to see positive action as a direct result of consumer spending at this time of year.

However, with uncertainty mounting globally, investors may find fewer treats under the tree this year. Talk of recession south of the border hasn't gone away, with the spectre of negative interest rates doing the rounds.

Invest in online shopping and staying warm

Retail stocks are classically expected to rise over the holiday period, thanks to consumer spending peaking at this time. Stocks like **Roots**, **Shopify**, **Etsy**, and **Amazon** would be key places to start shopping for upside as the winter season begins to kick in.

Early signs are pointing to a good year for retail this year. Early figures suggest that Black Friday saw a record amount of spending this year, with around US$7.4 billion spent in online shopping; around US$2.9 billion was spent using a smartphone. Sales in high-street stores were also up, gaining around 4.2% over the Black Friday weekend compared with the same time last year.

This would suggest that Amazon is an especially strong play for anyone looking to pack in a little extra upside this holiday season. With its exposure to the explosive content-streaming sector, Amazon is also a good play for upside from holiday binge watching.

On the other end of the scale, though keeping with the wintery theme, purely conservative investors may want to stick with energy companies, another asset type that typically does well during the colder months.

Suncor Energy may be just as stymied in terms of growth as any other energy stock by an unfavourable macroeconomic landscape, but it packs the kind of defensive qualities a small oil stock lacks. Suncor's size, reserves, and wide-moat market share make it a dependable long-term play for investors with a lower appetite for risk.

With a 4% yield, Suncor's dividend falls in the moderate region of the best-paying energy stocks. That's the same yield as **Canadian Natural Resources**, another business reliant on crude and natural gas prices. Both companies are high-quality and offer oil patch investors reliable passive income backed up with assets that were snapped up at reasonable prices.

Suncor and CNQ's yields are also lower than **Enbridge's** 5.8% yield and trail **Vermilion Energy's** monster 14.54% yield. However, while either of those two stocks would be well suited to a long-range "unloved energy" investment style, Suncor and CNQ arguably offer the better mix of income and defensive characteristics.

The bottom line

Whether there will there be a Santa Rally in 2019 heading into 2020 is anyone's guess, though a weakening global outlook paired with lowering interest rates around the world may suggest that consumers may not be feeling so jolly this year. A less-risky play for Yuletide gains might be the energy space, with reliable dividends sure to restore that festive cheer.

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