2 “Relief Rally” Stocks to Buy As Christmas Comes Early

Description

TSX investors have several good reasons to be cheerful rather than fearful this Friday the 13. From a cyclical holiday boost to a relief rally fuelled by the new North American trade deal and a breakthrough in the Sino-American trade war, investors have a range of options this holiday season if they want to pack upside in a stock portfolio.

Pack this parka stock in your stocking

Canada Goose (TSX:GOOS)(NYSE:GOOS) could see a boost from a possible Santa Rally this holiday season. The luxury parka is likely to be a popular purchase in the chilly winter months, and with renewed Asian bullishness thanks to a breakthrough in the China-U.S. trade war, Canada Goose could once again be set to soar.

The Santa Rally is basically the opposite of the October Curse in that it’s a perceived lift to the markets around the holiday season. Other analysts would go further and say that it’s a very real effect and that the market really does improve at the end of the year.

While the lift isn’t huge and it isn’t guaranteed, more than 50% of the time, the markets can see a bump of 1-2% in the last couple of weeks of the year.

There are a few causative factors, from last-minute trades by asset managers to a latent spirit of positivity. There are also basic factors, such as an increase in utility use and a retail boom as people buy gifts, meaning that Canada Goose stock could rise.

The new NAFTA makes this stock a buy

The updated NAFTA agreement, now with the slightly less catchy moniker USMCA, is a positive development that means Canadian investors can breathe a little easier.

Knowing where the U.S., Mexico, and Canada stand in terms of trade has been one of the big uncertainties hanging over North American markets. The new accord bodes well for the agricultural sector in particular, especially the dairy industry.

Stocks like **Saputo** (TSX:SAP) could see some improvement in 2020, as could Canadian auto makers. Magna International has long been a canny play for its wide economic moat and access to high growth in the electric vehicle market in China.

The market leader could see a boost as the new USMCA bumps up the percentage of North American components in cars required to benefit from zero tariffs in the new year.

Paying a 1.7% yield, Saputo is the one to buy if passive income forms the basis of your portfolio, and it's also the more solidly defensive of the two stocks listed here.

While the end of the week has the bulls out in full force, there's never a wrong time to pack consumer staples in a long-term portfolio. If food and drink companies are a little light in your spread of personal investments, Saputo also adds diversity.

The bottom line

While cyclical asset types bring seasonal downside, they also bring two positives to a stock portfolio: predictability and seasonal upside.

The best time to buy is on a down cycle, although last-minute shoppers could chuck a few plump turkeys in their basket just before consumer sentiment feeds them up. From high-end retailers to dairy bullishness, there's upside to be had this winter.

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