3 October-Dinged Stocks Poised for a Huge Post-Election Rally

Description

The U.S. election has been a cause of anxiety for many investors, who've been grappling with surging coronavirus cases that could send major parts of the economy right back into lockdown this winter. With the election dragging into day two, the stock market unexpectedly posted a melt-your-face-off rally, with the **Nasdaq-100** soaring 4.4% in a single trading session.

Many pundits on the Street were expecting a sell-off on delayed election results, but they got the opposite. There's no telling what the next stage will be once it's officially announced who will become the next president of the United States. But with a major source of worry (and uncertainty) being lifted from the shoulders of investors, I think some of the biggest losers from the last week of October could be due for a huge bounce.

Without further ado, let's have a look at three compelling TSX stocks that may be worth buying, as this close election falls into the rear-view mirror.

Alimentation Couche-Tard

Alimentation Couche-Tard (TSX:ATD.B) stock suffered a steep decline in October, with shares retreating nearly 13% and for no real good reason. Sure, Couche has a considerable amount of exposure to the U.S. market, leaving it at risk of getting dinged with corporate tax hikes in a Joe Biden presidential victory. But a 13% sell-off in response to such is just plain unreasonable. I think investors should be all over the dip, as shares look to recover ground in November.

I'll admit, Couche has been a rather uneventful name to own over this past year. The company's liquidity position continues to strengthen, yet no elephant-sized deals have been announced. As you may remember, Couche-Tard used to be driven higher by somewhat frequent acquisition announcements. Couche has been a sleepy stock, but you're going to want to continue holding it, as management is likely actively pursuing bargains in the global convenience store scene.

Once Couche's management team finds the right deal at the right price, shares are going to soar. As such, investors should maintain patience and accumulate shares on dips like the one suffered in

October.

TD Bank

TD Bank (TSX:TD)(NYSE:TD) is another beaten-up bank that didn't have a great October, with shares retreating nearly 7% on the month. As Canada's most American bank, TD provides Canadian investors with a front-row seat to the COVID-hit American market and a potential hit from Biden tax hikes. With a bleak macro picture, TD Bank faces an uphill battle on its road to recovery, given its EPS growth trajectory is likely to feel the full impact of rock-bottom interest rates.

With less capital markets exposure relative to other banks, TD Bank suddenly found itself in the top dog, losing its premium valuation, which is now in line with many of its Big Six peers. TD Bank sports a 5.3% yield and is under too much pressure.

Heading into year-end, I think some of the pressure will be relieved as the bank looks to pass the quarterly bar that's now pretty low following the recent slew of analyst downgrades.

CN Rail

Last but certainly not least, we have **CN Rail** (TSX:CNR)(NYSE:CNI), a stock with a moat that's so wide, investors should be comfortable buying the name on dips, regardless of the macro circumstances. The company recently clocked in a mediocre quarter, causing shares to plummet into correction territory in a few days.

There's no question that CNR stock came into the quarter hot. But a 10% correction for a quarter that didn't shoot down hopes of a prosperous 2021 recovery? That's excessive, and think long-term investors should be all over the steep October correction that could easily reverse by November's end.

Now, CN Rail still isn't cheap versus its historical averages after its latest correction. But given higher volumes up ahead, the potential for margin improvement, and lower expectations than its peer **CP Rail** , I think now is time to load up if you've yet to do so. Like the other two names on the list, there's some election risk, but I'd bet that the band-aid has already been ripped off here and think the name will outperform in a post-election environment.

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