



## Spending Boom 2021: 3 Discretionary Stocks That Could Double

### Description

With Canadians looking to lockdown amid a worsening second wave of COVID-19 cases, savings piles have been swelling. In a [prior piece](#), I outlined the likelihood that pent-up demand for discretionary goods was growing — and that once things returned to normal, the discretionary spending [boom](#) would likely be in the cards.

As the pandemic ends and consumer sentiment reverses, certain discretionary stocks could be ready to make up for lost time over the next two to three years. Right now, many discretionaries are in the gutter, and it's these high-upside names that should be scooped up right now.

Of course, they're not without their share of risks. If we're not due for an abrupt recovery and the economic impact from the crisis is felt for years after the pandemic's end, employment rates may struggle to return to pre-pandemic levels, and consumer sentiment may never reverse course (or at least not so suddenly). If that's the case, the discretionary spending boom may never end up coming to fruition.

If you believe we'll be in for a discretionary spending boom in 2021, I'd look to buy **Canada Goose Holdings** ([TSX:GOOS](#))([NYSE:GOOS](#)), **MTY Food Group** ([TSX:MTY](#)), and **Aritzia** ([TSX:ATZ](#)).

### Canada Goose

Canada Goose, the luxury parka maker, is a top candidate for savers to exhaust their liquidity reserves. The stock has already seen a bit of relief, but I think it's just a preview of what's to come if we are, in fact, due for a spending boom following this pandemic.

Moreover, the Goose could fly higher through the holidays, as China's discretionary spending boom may be a few months ahead of Canada and the U.S.

"Direct sales in China, where the company is already adding four new stores this year, climbed more than 30%," according to *Bloomberg*.

Canada Goose stock is anything but cheap at over 56 times trailing earnings. Given the likelihood of a discretionary spending boom, though, I'd say the early-cycle growth king is a must-buy, even at these lofty multiples. The goose will spread its wings again, and I think it'll be a lot sooner than most other investors expect.

## MTY Food Group

MTY Food Group is an indirect way to play a discretionary spending boom. The firm is behind various food court staples and is in a spot to make up for lost time as people return to their local shopping centres. While MTY won't get a penny off of e-commerce sales, which are sure to continue booming after it's safe to venture outside again, physical retail will be hot again as people longing for a sense of normalcy and social interaction head out again.

In a post-pandemic world, MTY is probably the ultimate discretionary spending play. With some skeptics still bearish on the shopping centres, the stock remains dirt-cheap at 2.4 times book value. While the balance sheet leaves much to be desired, the name is poised to make it out of this crisis, with some pent-up demand for its offerings.

## Aritzia

Finally, we have a staple to any Canadian shopping mall, upscale women's clothing retailer Aritzia. Like Canada Goose, the name is among the best places to be in for an uptick in discretionary spending — and articles of clothing are the ultimate want. And with an incredible omnichannel presence, I suspect the retailer will be firing on all cylinders once again, as it was before COVID-19 struck.

Aritzia stock has mostly recovered from its February-March plunge, but it has room to run. The stock trades at 3.2 times sales, which is pretty modest for a firm that's still in the early innings of its growth story. The Aritzia brand is starting to become influential (not at the level of Canada Goose yet), and as management gets back on growth efforts, I wouldn't be surprised to see the firm make a huge splash in menswear, as Lululemon has.

Just last year, Aritzia released its first product aimed at men. I think there's room to run in the space and would encourage investors to accumulate shares before they have a chance to roar back from this crisis.

### CATEGORY

1. Coronavirus
2. Stocks for Beginners

### TICKERS GLOBAL

1. NYSE:GOOS (Canada Goose)
2. TSX:ATZ (Aritzia Inc.)
3. TSX:GOOS (Canada Goose)
4. TSX:MTY (MTY Food Group)

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