



2 Top Canadian Stocks to Buy Before the Santa Claus Rally

Description

A sustained gain by the stock markets in the last week of December has historically been referred to as the Santa Claus Rally. Although the validity of this rally is debated, several catalysts that are often brought up may support the idea.

One example is the general optimism that investors feel during this time. As holiday bonuses are distributed, many choose to put this extra cash into stocks, further pushing stock prices to new highs. Another explanation may be that managers of large investment funds often choose to go on vacation around this time. Since these individuals are often less optimistic than the average retail investor, it may allow the everyday investor the chance to push stock prices up even further.

Between 1969 and 2014, the Santa Claus Rally has resulted in positive returns 34 times. The average cumulative return of the rally over those years is 1.4%. While it may not seem like much, the stock market has previously been shown to be a self-fulfilling prophecy. Thus, if enough investors believe a Santa Claus Rally may occur, it would be unwise to bet against it. With that said, which two companies should investors be buying before this year's Santa Claus Rally?

The Santa Claus Rally may revive optimism in this industry

The telehealth industry was one of the hottest areas of the market this year. Companies such as **Teladoc** (+200%), **WELL Health Technologies** ([TSX:WELL](#)) (+446%), and **CloudMD** (+493%) had incredible runs throughout the year. However, with the news of COVID-19 vaccine distributions just around the corner, these companies have endured difficult times. As of this writing, WELL Health is still about 17% from its all-time highs.

The Santa Claus Rally may be the catalyst that telehealth bulls are waiting for. Nothing has changed fundamentally with the industry, but many retail investors have seemed to lose interest in these companies lately. On the contrary, large fund managers like Ark Invest have continued to buy shares of telehealth companies quite heavily during this dip.

WELL Health remains my favourite Canadian company in this industry. It has been [on a mission](#) to

improve patient experiences and health outcomes. To see this mission through, WELL Health has set out to acquire clinics and digital assets that complement its current offerings. WELL Health has recently expanded into the United States, and I believe the company is still very much at the start of its growth story.

The e-commerce industry should be red hot during the holiday season

If there is one industry that should see a large boost in optimism, it would be the e-commerce industry. I recently [wrote an article](#) describing how important the holiday season could be for **Shopify** ([TSX:SHOP](#))([NYSE:SHOP](#)). Today, I am doubling down on this belief. The Santa Claus Rally could be yet another catalyst for this hot stock.

Because of increased consumer spend during this time of the year, e-commerce companies may see revenues continue to hit all-time highs. In November, Shopify announced that its businesses sold a total of \$5.1 billion during Black Friday and Cyber Monday. A large spike in the adoption of online shopping, this year, may be attributable to the COVID-19 pandemic.

Shopify is a global leader in enabling businesses to operate online stores. Run by a passionate founder-CEO Tobi Lütke, Shopify checks off a lot of investment boxes. If bulls need any reason for this stock to continue running, the Santa Claus Rally might be it.

Foolish takeaway

The Santa Claus Rally is highly anticipated by retail investors every year. This year, I would keep an eye on the telehealth and e-commerce industries. Companies that lead these industries, such as WELL Health Technologies and Shopify, may see a boost in stock prices. Regardless of the outcome during that week, both companies have long growth runways ahead and shareholders should be rewarded with market-beating gains over the long run.

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TICKERS GLOBAL

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2. TSX:SHOP (Shopify Inc.)
3. TSX:WELL (WELL Health Technologies Corp.)

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Author
jedlloren

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