



The Santa Claus Rally Could Drive These 2 Stocks Higher!

Description

Investors may or may not be aware of the term *Santa Claus Rally*. This term was coined for the idea that some stocks can rebound before the end of the year, as investors look to stash money away for tax purposes. However, some investors will buy beaten-up stocks that have been sold for tax losses as a way to improve next year's returns. In either case, here are two stocks I see as likely beneficiaries of a Santa Claus Rally this year.

Alimentation Couche-Tard

There is a lot of discussion right now around a value rebound. Value stocks, those that are trading at lower multiples than their peers or the market, are starting to get attention. Stocks like **Alimentation Couche-Tard** (TSX:ATD.B) that are trading around 18 times earnings are simply too cheap to ignore. Accordingly, investors are taking notice and starting to pick up shares of these undervalued gems.

Couche-Tard is a company I've been pounding the table on for some time now. This is because of a number of key catalysts I see taking this stock higher over the long run.

As fellow Fool contributor Joey Frenette wrote in his [top pick piece](#) for December, there is a lot to like about Couche-Tard. Investors ought to focus on the strength of Couche-Tard's balance sheet, as this will determine the company's future acquisition potential. Accordingly, \$6 billion in available cash and credit for such acquisitions is bullish for growth investors.

Couche-Tard has a history of acquiring assets and turning them around. Indeed, the company's previous acquisitions have been outstanding examples of value-added synergies in mergers and acquisitions (M&A). Most M&As don't turn out well, so the company's track record in this regard is outstanding.

Additionally, this stock's value as a defensive position in a market that is approaching absurd in terms of valuation is important for investor portfolios today. Couche-Tard's core business will still be here decades from now, so for those with long-term time horizons, this stock is a perfect pick.

Royal Bank

The financials sector continues to feel a lot of pain from the coronavirus pandemic. With interest rates dropping, the outlook for net interest margins for banks has deteriorated significantly. This is certainly not good for investors concerned about pandemic-related risks.

That said, **Royal Bank of Canada** ([TSX:RY](#))([NYSE:RY](#)) is among the highest-quality banks in the world. This is a stock that has weathered every storm one could think of and has not missed a beat when it comes to dividends. Accordingly, dividend investors have been handsomely rewarded over the years with dividend increases, despite the direst of economic news.

I think there is a lot to like about Royal Bank's prospects moving forward. The banking sector is one which may not be hurt as badly as initially projected from low interest rates. The coronavirus pandemic could be over sooner than some expected. We could see a return to normal in this sector a year or so from now.

All these factors solidify the bank's position as a dividend superstar. Income investors willing to bet on a Santa Claus Rally ought to consider this great stock.

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