



Can the TSX Repeat the November 2020 Rally?

Description

At this time last year, the stock market bulls raged, as the vaccine news took the bear market by storm. The stock market rally began in November 2020, and the TSX Composite Index surged 10%. Some of the top gainers of this bull run were airline, real estate, retail, and oil stocks that took a big hit during the pandemic. Last year, there was news to rejoice. But can the TSX Composite Index repeat the rally this year?

TSX market momentum from September to November

Back in September, I [wrote](#) about the September effect of the stock market and how it will not repeat this year. Even though the recovery favoured a bullish run, the TSX Composite Index dipped 3% in September, which is higher than the September 2020 dip of 2.19%. The stock market defies the odds, and that is what makes it unpredictable and volatile at times.

For November, I am skeptical that the TSX will make a jump as big as 10%, as it did in November last year. The TSX Composite Index surged in October by a whopping 5.4%, more than offsetting the September [correction](#). This wasn't the case last year. At that time, the index corrected another 3.8% in October. This dip acted like a slingshot and boosted the stock market. Hence, a 10% rally was plausible.

However, this time, the stock market has already surged above the September correction, and the recovery is in full swing. The fear of another pandemic wave haunts the stock market, but that doesn't stop investors from being optimistic. Hence, I expect the TSX Composite Index to continue a 3-5% rally in November.

Stocks to buy in November

A good investment practice is to avoid buying in the bull market. Stocks are currently nearing their seasonal peak. If there is anything you can do, hold fundamentally strong stocks and book profits at the stock price peaks. But here are some stocks that have just begun their seasonal rally from

November 2021 to January 2022.

Canadian Tire

Canadian Tire ([TSX:CTC.A](#)) is the retailer of choice when it comes to automotive, hardware, sports, leisure, and housewares. The pandemic brought some volatility in this otherwise stable stock. As the demand shifted to essentials, the non-essential retailer took a blow in every pandemic wave. In the second wave from January to early March, Canadian Tire stock dipped 10%, only to rise 30% in April and May thanks to the pent-up demand.

The stock has once again dipped 10% since August. The holiday season demand could drive the stock to its September levels, representing a 10% rally. This means a \$1,000 investment can become \$1,100 in the next three months. That's a pretty decent return for the short term.

RioCan REIT

RioCan REIT ([TSX:REI.UN](#)) is a landlord of retailers, both essential and non-essential. The REIT suffered significantly because of its high exposure to non-essential retailers. But the recovery in the retail sector bodes well for the REIT. RioCan is seeing a surge in its [occupancy rate](#).

Back in November 2020, RioCan stock surged 24% on vaccine news. Despite this rally, the stock is trading at a 21% discount from its pre-pandemic level, making it a lucrative buy. The uptick in the retail market could send the stock to pre-pandemic levels in the coming three to four months.

Final thoughts

Although I am writing about a short-term rally, it is a good practice to hold the above stocks for more than a year. The stock market is like investing in a business, and every business has its ups and downs. But in the long term, a successful business could make you a millionaire. The objective is to find the market benders that can cut off losses from other stocks and still leave you with a profitable portfolio.

CATEGORY

1. Coronavirus
2. Investing

TICKERS GLOBAL

1. TSX:CTC.A (Canadian Tire Corporation, Limited)
2. TSX:REI.UN (RioCan Real Estate Investment Trust)

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