



Prepare for a Santa Claus Rally: 2 Stocks to Buy Now

Description

If you're looking for stocks to buy, you may want to act soon. Prices go up in the coming weeks if we face a so-called "Santa Claus" rally. Here's what you need to know.

What is a Santa Claus rally?

Stocks are statistically likely to be green in the last five trading days of the year. This is according to data studied by analysts. The **S&P 500** has been green 78.5% of the time during this five-day window since 1928. Since this window is between Christmas and New Year's, it's been labelled the "Santa Claus rally."

I should point out that this rally isn't set in stone. No one can predict future stock prices with absolute certainty. But there are some factors that make a Santa rally more likely this year.

For one, investors have a lot more clarity from central banks. Both the Bank of Canada and the U.S. Federal Reserve have said interest rates will rise in 2022. This piece of news has been priced-in and the stock market is experiencing a relief rally at the moment. This could create enough momentum to sustain a Santa rally in 2021.

Which stocks to buy now?

Beaten-down, undervalued stocks are probably your best bet at the moment. **WELL Health Technologies** ([TSX:WELL](#)) is a good example. The stock has lost roughly half its value this year. That's an astonishing plunge for a company that's been outperforming the rest of the stock market for years.

WELL Health stock currently trades at \$4.9. That implies a market capitalization of \$1 billion. Meanwhile, the company is on track to generate \$400 million in recurring revenue this year. In other words, the stock is trading at 2.5 times annual recurring revenue. Compare that to other tech stocks that are trading at 10 or even 20 times annual sales.

The telehealth stock is clearly out of favour. But that's what makes it a great stock to buy now. This undervaluation may not last very long, especially if we have a Santa rally.

Another stock to buy now

If you're sick of tech stocks, there are plenty of other opportunities. Fashion brand **Aritzia** ([TSX:ATZ](#)) seems to have performed well throughout the pandemic. The stock is up 371% since March 2020. That's better than most tech stocks right now.

Aritzia is riding the e-commerce boom. In its most recent quarter, sales expanded by a whopping 60% year over year. That's been driven primarily by online shoppers.

In 2022, demand for Aritzia's products should be stronger than ever. If the economy reopens fully and women head back to the office, clothing and accessories should see renewed demand. Of course, much of this could be bought [during Christmas 2021](#). That's what makes Aritzia an excellent stock to buy now.

Bottom line

Investors have much more clarity on interest rate hikes and inflation now. These elements have been priced in. That's what makes a Santa Claus rally in the last few trading days of the year likely. Keep an eye on beaten-down tech stocks or retail stocks riding the reopening boom.

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