



2 Canadian Stocks to Buy During a Santa Rally

Description

There are many great Canadian stocks that could take off come the much-awaited Santa rally that could kick in over the next week. Indeed, December, a historically tame month for stock markets has been quite volatile, with high-multiple growth stocks fluctuating wildly. Although the first half of December was [rocky](#), the stage certainly seems set for a strong finish if, in fact, Santa Claus does come to town in 2021. Regardless, investors should look to be buyers of battered undervalued stocks before they have a chance to move higher again.

Consider **TD Bank** ([TSX:TD](#))([NYSE:TD](#)) and **Brookfield Asset Management** (TSX:BAM.A)([NYSE:BAM](#)), two great Canadian stocks likely to continue building on their strength into the new year.

TD Bank

TD Bank is a premier Canadian bank with one of the most prudent managers out there. Despite TD's prudence, the bank hasn't fallen short on the returns front over the years. Although the last two years have been rough, it appears that the retail-heavy North American banking giant is ready to lead the pack once again. It's easy to dismiss TD Bank stock for its relative underperformance versus its Big Six peers. Amid the pandemic, banks with strong capital markets businesses have really shined, leading the markets out of the coronavirus recession.

As interest rates begin to rise, all banks will prosper. But it's TD Bank that could have the most to gain, as a retail-focused banking heavyweight in Canada and south of the border. Further, TD could make a splash in the U.S. retail banking scene, as its peer **Bank of Montreal** did just a week ago. Indeed, investors seem mildly bearish due to the price paid for BMO's acquisitions. Quality deals, especially in this environment, will not come cheap. And I don't suspect TD will have the most positive initial reaction if it's next up to the plate with an American banking acquisition.

Regardless, TD stock looks dirt cheap at current levels, given we're at the cusp of a higher-rate environment that could propel retail bank margins to much higher levels. It's about time that TD swam with the tides rather than against them. Next year, expect TD Bank stock to surpass the \$100-per-

share mark. The 3.7% dividend yield is worth grabbing, as it looks to grow at a solid double-digit pace through the next several years of what's likely to be a Goldilocks type of environment for the banks.

Brookfield Asset Management

Brookfield Asset Management has enjoyed a remarkable run in 2021, up 51% year to date. Turning the page on a new year, I don't think the outperformance is over yet. The top-of-the-class alternative asset manager is firing on all cylinders. At writing, the stock isn't too cheap at over 27 times trailing earnings. Still, relative to the calibre of assets and managers you're getting from the name, it's arguable that investors should feel comfortable paying over 30 times earnings shares of the firm.

The 0.9% yield doesn't seem like much, but it's poised to [grow](#) at an above-average rate. Although the pace of gains should slow, I still think BAM's rally is well supported. Further, cash-generative alternative assets will continue to be in high demand, as investors feel the squeeze of high inflation, the frothy crypto markets and elevated broader equity prices.

Indeed, BAM is world class, and it's a buy now and on any pullbacks that may strike through 2022.

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