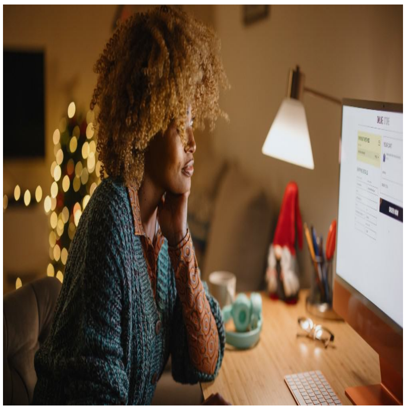

Top Stocks to Buy Before the Holiday Shopping Frenzy

Description

Many analysts and investors are pretty muted on the coming holiday season. Indeed, the holidays are a time for many of the top discretionary and retail firms to flex their muscles. With a looming economic recession, higher interest rates giving us the pinch, mounting layoffs in the tech sector, and ongoing inflation (it's unclear as to when it will roll over at this juncture), many may be too quick to dismiss the coming holiday shopping season as a dud.

Indeed, the holiday season of 2022 could be one of the weakest in years. Still, with expectations and valuations set low, there's room for an upward surprise. The recent blockbuster Canadian jobs number (108,000 new positions added last month) goes against what many of us are expecting. While a recession may be looming, there are conflicting indicators out there. And if the jobs market stays robust, there's a good chance that the holiday shopping season may be a bit better than expected.

Only time will tell if Santa Claus will come to town for investors this year. Markets are incredibly oversold and seem overdue for a sustained upside bounce. Whether the period of seasonal strength for retailers will help pull markets out of the gutter, I view today's slate of valuations as nothing short of compelling.

In this piece, we'll have a glance at two TSX stocks that could surge to new highs as a result of a stronger-than-expected holiday shopping season.

Consider shares of **Spin Master** (TSX:TOY) and **Aritzia** (TSX:ATZ), two intriguing firms that could benefit from the coming holiday season. Even if there are fewer gifts left under the tree this year, both discretionary firms seem way too cheap for their own good.

Spin Master

Spin Master is a Canadian toymaker that recently plunged on the back of a rough quarter that saw sales slip. Revenue of $552 million was down year over year from around $608 million. It wasn't just the quarterly numbers that hit the stock. Management lowered its full-year guidance, now calling for gross product sales to fall to low-single-digit territory. For reference, the firm was able to command low double-digit growth in years past.

Guidance downgrades are never fun for investors holding onto a stock. For those on the outside looking in, though, it can be a good place to be. A lower bar is easier to jump over, and for Spin, I think the bar has been lowered by way too much. At $33 and change per share, Spin shares trade at 8.65 times trailing price to earnings (P/E). Indeed, there's a lot of sales erosion already baked in after the stock's latest fumble.

Aritzia

Aritzia is another robust Canadian retailer stock that's experienced turbulence this year. After a 45% drop from peak to trough, the upscale women's clothing retailer is starting to look ready to move on. Powered by robust quarters and a U.S. expansion plan that will be tough to stop, I think Aritzia is a standout that could buck the downward trend faced by most other discretionaries.

At 33.5 times trailing P/E, ATZ stock is not cheap. It's still priced with growth in mind. That said, I think Aritzia is more than capable of taking market share away from rivals, as it continues to build upon its brand strength here at home and south of the border.

Recession or not, Aritzia seems like one of those durable growth plays that is more than capable of moving on from a bump in the road.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:ATZ (Aritzia Inc.)
2. TSX:TOY (Spin Master)

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