



## 2 Stocks to Buy Before a “Santa Claus Rally”

### Description

If you think it’s beginning to look a lot like Christmas, just wait until the actual day arrives — especially if you’re an investor hoping for a rebound in share price before the end of the year. It’s likely to come as a gift called the “Santa Claus Rally.”

### What is the Santa Claus Rally?

The Santa Claus Rally typically occurs over the Christmas holiday season. During the week leading up to Christmas, immediately after, and the first two days of the new year, there tends to be a bump in the stock market.

There are a few theories as to why this happens, but one is far more believable than the other. The first theory is that investors are full of optimism going into the new year. Fueled by “Christmas spirit,” they make a final push.

However, what’s far more likely is the other reason. This comes down to institutional investors setting aside their work and going on vacation for the holiday season. The market activity drops significantly and is instead fueled by the average investor being in charge of the markets for a few days.

This was certainly the case last year, with shares on the TSX climbing 3.4% during that time frame. However, it was far less about 1.5% in 2020, so there is no guarantee that this will happen in 2022.

### But if it does...

If investors *do* start to see a [rally](#) in the days coming up to Christmas Day, it could be a good time to get in on two growth stocks that could benefit during the holiday season. The top winners that could continue climbing are **Aritzia** ([TSX:ATZ](#)) and **Dollarama** ([TSX:DOL](#)).

Dollarama stock is a clear choice given its recent earnings report. Its most recent earnings report saw a profit of \$201.6 million come in, with sales up 15% year over year. An inflationary environment with

higher interest rates has led many consumers to seek out [cheap options](#), and it's likely why Dollarama stock continues to extend beyond analyst estimates.

Dollarama stock then increased its comparable-store sales growth for 2022 to between 9.5% and 10.5%, up from just 6.5% to 7.5%. Further, it's looking to sign on three more properties in Québec for more long-term growth for its investors. The goal, management says, is 2,000 stores by 2031.

As for Aritzia stock, we'll have to wait until 2023 to receive the next round of results. However, if it's anything like the past results, I'd consider this one as well. The company continued its historical gains during the second quarter, with net revenue up 50.1%, net income up 16.1%, and adjusted earnings before interest, taxes, depreciation, and amortization (EBITDA) up 13.3% year over year.

## Both due for a rebound

Dollarama stock and Aritzia stock have proven their worth in the last few years, but especially during this downturn. And in the case of Aritzia stock, we could see a seriously high jump during a potential Santa Claus Rally. This comes on the tail of its earnings report, and the company has been known as a growth stock for years. So, if regular traders are in charge, they're likely to go back to potential growth stocks like this one.

But the growth certainly wouldn't be undeserving for either of these companies. Expansion is the key here. With Dollarama stock continuing to open locations, and Aritzia stock expanding in the United States, it's clear investors have much to look forward to, including potentially all-time highs.

Shares of Aritzia stock trade at \$49.60 as of writing, with a target price of about \$62 as of writing. That's a potential upside of 12.4% as of writing. Dollarama stock, meanwhile, is just below its \$86 target price at \$83 — an upside of 3.6% as of writing. But who knows how high these TSX stocks could climb should a Santa Claus Rally deliver some share growth down your chimney?

### CATEGORY

1. Investing

### TICKERS GLOBAL

1. TSX:ATZ (Aritzia Inc.)
2. TSX:DOL (Dollarama Inc.)

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