Five Stocks for Friday

Five Stocks for Friday uses stock screens to give readers five stocks that we expect to outperform if a particular investment theme plays out in the future. Investment themes may be relevant to the current or expected market, industry and/or economic trends. Investment themes may not always represent our current forecast.

Risk On Santa Rally

Our inaugural screen seeks companies that may benefit from a Santa Claus rally that pushes markets to new highs at year-end. This screen is largely based on factors that have worked well throughout this year.

Our article ?Santa Claus is Coming But Will Markets Correct First?? makes the case that positive seasonality in the last few weeks of December is strong.

To wit:

Investors? *?wish lists?* **are hung by the chimney with care, hopeful the** *?Santa Claus rally?* **will soon be there.** While they remain *?snug in their beds, the historical data dances in the heads.?* The chart below from *@themarketear* shows the annual *?seasonality?* from 1985 through 2019.



Screening Criteria

We use the following screens and criteria to find the five stocks likely to outperform if Santa Clause comes to town:

- S&P 500 companies
- Market Cap >$50 billion
- Sector = Basic Materials, Consumer Discretionary, Energy, Industrials, and Technology
- 5-year EPS growth forecast >15%
- YTD performance > 50% (more than 2x the S&P 500)
- Beta >1.25
- Price is above its 50-day and 200-day moving averages

We only looked at large-cap companies in sectors that have generally benefited the most from risk-on rallies in 2021. While the screen primarily uses price and performance, we chose to add high expected growth rates. This year, expectations for above-average growth rates have fueled narratives that feed price appreciation.

Below is a table comparing key fundamental and technical factors of the five companies that best met our criteria. Beneath the table is a summary of each company.

Ticker	Price	Market Cap	P/E	Forward P/E	PEG	P/S	Dividend Yield	EPS growth next year	EPS growth next 5 years	Sales growth past 5 years	Performance (Quarter)	Performance (YTD)	Beta	Distance from 52-Week High	Distance from 52-Week Low	Relative Strength Index (14)
EOG	86.27	53,501.04	16.9	8.7	0.3	3.5	1.89%	16.6%	63.6%	4.8%	25.55%	77.52%	2.0	-9.55%	94.23%	46.9
LOW	249.12	172,872.76	27.0	19.4	1.4	1.8	1.29%	8.1%	19.5%	8.7%	20.30%	54.31%	1.3	-2.84%	66.85%	69.5
AMD	149.03	186,481.03	47.9	46.6	1.4	12.6		26.2%	35.3%	19.6%	38.97%	68.80%	2.0	0.20%	123.74%	71.7
NVDA	319.77	756,295.67	97.3	60.8	2.5	31.2	0.05%	20.6%	39.4%	27.2%	39.17%	141.31%	1.4	-4.19%	186.98%	69.1
TSLA	1087.05	1,042,246.02	351.0	132.4	4.8	22.3		34.9%	73.1%	50.8%	51.97%	53.32%	2.0	-8.83%	110.13%	58.7



Real Investment Advice

Company Summaries (all descriptions courtesy Zacks)

EOG

EOG Resources (EOG)- Energy Sector- EOG Resources Inc. is primarily involved in exploring and producing oil and natural gas. The leading upstream energy player?s operations are spread across the United States, China, and Trinidad.

EOG is up 85% this year, tripling the return on the S&P 500 and handily beating XLE, the energy sector ETF. EOG is just turning up on a buy signal using our cash flow model, although its MACD signals more downside is possible. EOG?s stock price is sensitive to oil prices and, therefore, political, and Covid-related headlines that may affect them. While we are not seeking value companies in this screen, it's worth noting EOG has a relatively low P/E ratio of 16.9.

LOW

Lowes Companies (LOW)- Discretionary Retail - LOW is one of the world?s leading home improvement retailers, offering services to homeowners, renters, and commercial business customers.

LOW is up 400% from its lows in March 2020, including a 65% increase this year. In just the last month, the stock has been on a tear, up 25%. While the stock is trading well, its price is extended,

sitting at two Bollinger bands above its 20-day moving average. The P/E ratio is slightly below the market P/E at 21.6.

AMD

Advanced Micro Devices (AMD) Technology ? The company has strengthened its position in the semiconductor market on the back of its evolution as an enterprise-focus company from a pure-bred consumer-PC chip provider. AMD has emerged as a strong challenger to NVIDIA?s dominance in the graphic processing unit or GPU market based on its Radeon technology.

AMD is up 160% this year, almost half of which has come since October. The stock and the semiconductor sector are recent investor favorites due to chip shortages and strong chip demand for new technology. The stock price is trading 25% above its 50-day moving average.

NVDA

NVIDIA (NVDA) NVIDIA Corporation is the worldwide leader in visual computing technologies and the inventor of the graphic processing unit, or GPU. Over the years, the company?s focus has evolved from PC graphics to artificial intelligence (AI) based solutions that now support high-performance computing (HPC), gaming, and virtual reality (VR) platforms.

Like AMD and other semiconductor companies, NVDA?s stock is on fire. It is up 150% year to date, with a good chunk of the gains coming since October. Our short-term cash flow model indicates NVDA is turning to a buy signal, but the MACD remains on a sell signal.

TSLA

Tesla (TSLA) -Discretionary/Technology - Tesla is the market leader in battery-powered electric car sales in the United States, owning around 60% of the market share. The company?s flagship Model 3 accounts for about half of the U.S. EV market.

TSLA is a market favorite this year. Its stock price is up 65% year to date, all of which has come since September. The shares are up a whopping ten-fold since the covid crisis lows of 2020. TSLA?s price has consolidated over the last month on the heels of Elon Musk stock sales, potentially setting the stage for another surge higher.

Summary

This screen presents five stocks that are high reward bets in the event of a year-end end rally. One factor to consider with these stocks is they all have tremendous gains for the year. As such, mutual funds may have to sell some shares in them in early December to rebalance. However, the significant gains this year make it a little less likely investors will sell, preferring to push tax gains to next year. This confluence of these events makes timing a purchase of these stocks critical. Further, the prices of the five stocks are extended, making them vulnerable for a steep decline on bad news and or a market decline.

?While we are certainly anxiously anticipating the arrival of the ?Santa Claus Rally,? we are also must remember the lesson taught to us in 2018.

Nothing is guaranteed.? -Santa Claus Rally is Coming but will Markets Correct First? 11/23/2021

We currently own AMD and NVDA in the Equity model but have recently trimmed our holdings to lock in profits.

Disclosure

This report is not a recommendation to buy or sell the named securities. The report's intention is to elicit reader ideas about stocks meeting specific criteria and investment themes. Please read our disclosures carefully and do your own research before investing.