

Boxing Day Sales Arrive Early!

Our view: Recent developments concerning COVID-19, in particular the Omicron variant, coupled with a major policy shift by the US Federal Reserve (FED) and ongoing pressure from tax-loss selling season, have resulted in an uptick in uncertainty and market volatility. We expect volatility to remain elevated heading into 2022 and suggest investors remain tactical and take advantage of “Boxing Day” sales before they end!

Buy 1 get 2 free: Omicron + the Powell pivot + tax-loss selling season. It’s been a remarkable year for equity investors in Canada, the US, and even across the pond in Europe, with major indices in each of these regions up +20% on a year-to-date (YTD) basis. However, as we warned in our recent [Portfolio Strategy Report “Mo Money, Mo Problems”](#), the double-digit equity market performance this year should not be expected in the years to follow, including in 2022. Rather, we expect a more normalized return profile of high single-digit to low double-digit returns for the S&P/TSX and the S&P 500 index in 2022, and view the past year’s performance as a reflection of the extraordinary policy environment due to the COVID-19 pandemic (e.g., US\$17 trillion in global fiscal stimulus, near-zero interest rates, very accommodative monetary conditions, etc.). Many of these measures/programs have ended and/or are expected to be phased-out/normalized in the years ahead. However, while tax-loss selling season has likely resulted in some downside pressure for equities, developments surrounding COVID-19, specifically Omicron, and a major pivot by the Fed, have resulted in much more volatility than investors have been accustomed to over the past year.

Keep a lookout for bargains heading into year-end and into 2022. While uncertainties remain, including the path of the economy, which continues to depend on the course of the virus, the stickiness of inflationary pressures (e.g., labour shortages, supply chain disruptions, commodity pressures, etc.), and policy normalization efforts by central bankers globally, we still view equities as the most attractive asset class on a risk/return basis versus bonds, cash, and even commodities. We suggest investors use periods of volatility (expected to continue into 2022) to remain selective and add to high-quality positions within their portfolios. We maintain the view that we are in the mid-phase of the business cycle with more runway still ahead for the markets/economy.

Finding the best deals while avoiding the “always on sale” items. The recent uptick in uncertainty has resulted in higher levels of volatility, with several stocks facing increased selling pressure in recent weeks. To help investors identify some of the best deals in the markets, we have screened for stocks on both the S&P/TSX and the S&P 500 index that have underperformed the index by 10% or more in the past two months but remain Strong Buy 1 or Outperform 2 rated by the Raymond James’ Equity Research teams. To further isolate ideas that investors may want to consider taking a closer look at, we filtered out the always on sale stocks (perennial underperformers) and only highlighted stocks that on a relative basis, have performed close to inline (-5%) and above versus the 5-year annualized price return for the S&P/TSX (+7%) and the S&P 500 index (+16%).

Please read domestic and foreign disclosure/risk information beginning on page 3

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Ideas To Consider for Your Shopping List—Add to Cart?

Exhibit 1: S&P/TSX Index Ideas

| Name | Ticker | GICS Sector | Last Price | Market Cap (bln) | 2-Mth Relative Performance | % Down from 52-Week High | Raymond James Analyst Rating | P/E (NTM) | 5-Yr Average P/E (NTM) | Premium/Discount vs. 5-year P/E NTM Avg. | 5-Yr Price Return (Annualized) | 5-Yr Relative Price Return vs. S&P/TSX Index (Annualized) |
|-------------------------------------|---------|------------------------|--------------------|------------------|----------------------------|--------------------------|------------------------------|--------------|------------------------|--|--------------------------------|---|
| Canada S&P/TSX Composite | | | \$21,077.35 | | | -3.4% | | 14.1x | 15.3x | -8% | 7% | 0% |
| Boyd Group Services Inc | BYD-CA | Industrials | \$201.13 | \$4.32 | -22.67% | -32.7% | Strong Buy 1 | 51.4x | 34.1x | 51% | 19% | 13% |
| Cronos Group Inc | CRON-CA | Health Care | \$5.81 | \$2.16 | -17.92% | -245.6% | Outperform 2 | | 737.2x | | 33% | 26% |
| Village Farms International, Inc. | VFF-CA | Consumer Staples | \$8.69 | \$0.77 | -15.46% | -196.7% | Strong Buy 1 | 38.7x | 36.8x | 5% | 44% | 37% |
| Aecon Group Inc. | ARE-CA | Industrials | \$17.05 | \$1.03 | -15.31% | -30.7% | Outperform 2 | 13.5x | 16.3x | -17% | 3% | -4% |
| BRP, Inc. | DOO-CA | Consumer Discretionary | \$103.16 | \$4.03 | -12.39% | -26.0% | Strong Buy 1 | 10.0x | 15.2x | -34% | 32% | 25% |
| Parkland Corporation | PKI-CA | Energy | \$33.93 | \$5.16 | -11.36% | -32.9% | Strong Buy 1 | 12.0x | 25.0x | -52% | 4% | -3% |

Source: FactSet, Raymond James Ltd. As of December 9, 2021.

Exhibit 2: S&P 500 Index Ideas

| Name | Ticker | GICS Sector | Last Price | Market Cap (bln) | 2-Mth Relative Performance | % Down from 52-Week High | Raymond James Analyst Rating | P/E (NTM) | 5-Yr Average P/E (NTM) | Premium/Discount vs. 5-year P/E NTM Avg. | 5-Yr Price Return (Annualized) | 5-Yr Relative Price Return vs. S&P 500 Index (Annualized) |
|----------------------------------|---------|------------------------|-------------------|------------------|----------------------------|--------------------------|------------------------------|--------------|------------------------|--|--------------------------------|---|
| S&P 500 | | | \$4,701.21 | | | -0.9% | | 21.4x | 18.8x | 14% | 16% | 0% |
| PayPal Holdings, Inc. | PYPL-US | Information Technology | \$197.35 | \$231.87 | -31.17% | -57.2% | Outperform 2 | 37.9x | 36.3x | 4% | 38% | 22% |
| Global Payments Inc. | GPN-US | Information Technology | \$130.11 | \$37.75 | -25.43% | -69.7% | Outperform 2 | 13.6x | 21.7x | -37% | 13% | -3% |
| Teleflex Incorporated | TFX-US | Health Care | \$323.28 | \$15.14 | -17.98% | -39.0% | Outperform 2 | 22.7x | 26.5x | -14% | 16% | 0% |
| Visa Inc. Class A | V-US | Information Technology | \$208.99 | \$348.47 | -16.30% | -20.9% | Outperform 2 | 28.6x | 29.0x | -1% | 21% | 5% |
| L3Harris Technologies Inc | LHX-US | Industrials | \$216.63 | \$42.51 | -14.15% | -13.6% | Outperform 2 | 15.8x | 18.2x | -13% | 15% | -1% |
| MarketAxess Holdings Inc. | MKTX-US | Financials | \$384.87 | \$14.64 | -13.22% | -56.3% | Outperform 2 | 48.9x | 51.4x | -5% | 18% | 3% |
| Jack Henry & Associates, Inc. | JKHY-US | Information Technology | \$156.32 | \$11.57 | -12.92% | -15.1% | Outperform 2 | 31.9x | 35.6x | -10% | 12% | -4% |
| T-Mobile US, Inc. | TMUS-US | Communication Services | \$114.75 | \$143.33 | -12.39% | -30.9% | Strong Buy 1 | 34.2x | 30.8x | 11% | 14% | -1% |
| Chipotle Mexican Grill, Inc. | CMG-US | Consumer Discretionary | \$1,739.21 | \$48.93 | -11.37% | -12.6% | Outperform 2 | 53.8x | 49.6x | 8% | 36% | 20% |
| Fiserv, Inc. | FISV-US | Information Technology | \$103.95 | \$68.63 | -10.71% | -22.5% | Outperform 2 | 16.1x | 21.7x | -26% | 15% | -1% |
| Mastercard Incorporated Class A | MA-US | Information Technology | \$342.34 | \$333.68 | -10.61% | -17.3% | Outperform 2 | 33.0x | 32.4x | 2% | 27% | 11% |
| Boston Scientific Corporation | BSX-US | Health Care | \$41.66 | \$59.37 | -10.53% | -11.1% | Strong Buy 1 | 22.5x | 22.8x | -1% | 15% | -1% |
| Willis Towers Watson Public Ltd. | WLTW-US | Financials | \$235.00 | \$29.28 | -10.30% | -15.7% | Strong Buy 1 | 17.1x | 16.1x | 6% | 14% | -2% |

Source: FactSet, Raymond James Ltd. As of December 9, 2021.

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