Tax-Loss Selling:

7 Christmas Stocks That Could Give You Huge Gains in the New Year

TSI Network

FREE REPORT

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What is tax-loss selling?

Tax-loss selling (or tax-loss harvesting) is a strategy investors use to lower their capital gains tax. When investors take part in tax-loss selling, they sell a security at a loss in order to offset capital gains. These losses can then be deducted against taxable capital gains in the current tax year.

For example, December 30 is the 2024 deadline for tax-loss selling on the Toronto Stock Exchange. If you sell at a loss on or before that date, you get to deduct your loss against your 2024 capital gains tax liabilities.

If you still have capital losses left over, you can carry them back up to three years (2023, 2022 and 2021), or forward indefinitely to offset future capital gains.

Tax-loss selling can create great bargains in high-quality stocks

In the final couple of months of the year, some investors dump stocks impulsively, in an unthinking attempt to cut their taxes. In some cases, they simply want to sell and be done with it. In others, they intend to buy back the stock after 30 days. (That's because, under the "superficial loss rule," you cannot deduct your loss if you buy back any sooner.)

The lure of cutting taxes can spur investors to make costly mistakes. Often, they'll dump high-quality stocks that are near the end of a downturn and are set to move back up early in the New Year.

As a result of this impulsive tax-loss selling, stocks that have been weak tend to stay weak in the final month or two of the year. But the best of the bunch can put on extraordinary recoveries when tax-loss selling season ends.

On the following pages, you'll find our top 7 "tax-loss-selling buys." They're stocks we think you should be buying now where they fit into your overall portfolios, rather than selling them.

TORONTO-DOMINION BANK $79.10 (Toronto symbol TD; TSINetwork Rating: Above Average) is down 8% since the start of 2024.

The bank recently agreed to pay a fine of $3.09 billion U.S. due to lapses in its anti-money laundering processes at its U.S. retail banking operations.

TD has already set aside $3.05 billion U.S. to cover the fine. The bank has since beefed up the monitoring and compliance procedures at its U.S. and Canadian operations, which should help prevent additional violations.

The settlement also unexpectedly imposed an asset cap on TD's U.S. retail banking operations. As a result, those assets cannot exceed $434 billion, which was their value on September 30, 2024.

The cap will prevent TD from opening new branches, making acquisitions or expanding its loan portfolios without the permission of regulators. Investors should note that the cap does not apply to the bank's other U.S. businesses, such as securities trading and corporate financing. The cap will remain in place until the U.S. Office of the Comptroller of the Currency removes it.

TD now plans to reduce its U.S. assets by about 10%. That includes selling up to $50 billion U.S. of lower yielding investment securities and reinvesting proceeds in securities with higher yields. In all, the bank expects these moves will result in it incurring $1.5 billion U.S. in one-time costs.

The bank gets about 25% of its revenue from its U.S. operations, so these penalties will undoubtedly hurt its growth over the next few years.

TD's dividend still looks secure, although the U.S. asset cap will probably slow the rate of future increases. The bank last raised the quarterly dividend by 6.3% with the January 2024 payment, to $1.02 a share from $0.96. The new annual rate of $4.08 yields a high 5.2%.

While the punishment stains TD's reputation, we feel the bank will overcome this setback. Incoming CEO Raymond Chun, who currently heads up the Canadian division, will replace Bharat Masrani in April 2025. To spur growth, he will likely focus on expanding the bank's Canadian wealth management and corporate lending businesses.

TD Bank is a tax-loss selling buy.

CANADIAN NATIONAL RAILWAY CO. $153.97 (Toronto symbol CNR; TSINetwork Rating: Above Average) is down 8% since the start of 2024. That's partly due to concerns that U.S. President-elect Donald Trump's proposed new tariffs on goods coming into the U.S. from Canada and Mexico will hurt CN's freight volumes.

However, rail transport remains crucial to North America's economic growth. CN also has a strong record of improving its efficiency with fuel-efficient locomotives and bigger grain cars.

What's more, CN has raised its annual dividend rate each year since becoming a public entity in 1995. The latest increase came with the March 2024 payment, when your quarterly payment rose 7.0%, to $0.845 a share from $0.79. The new annual rate of $3.38 yields 2.2%.

CN Rail is a tax-loss selling buy.

TELUS CORP. $22.02 (Toronto symbol T; TSINetwork Rating: Above Average) is Canada's largest wireless carrier with 13.6 million subscribers. It also sells landline phone, Internet, TV, and security services in B.C., Alberta and eastern Quebec.

The stock is down 7% since the start of 2024. That's mainly due to concerns that increased competition is hurting wireless subscriptions and revenue. Losses at subsidiary Telus International (Cda) Inc. (Toronto symbol TIXT) have also weighed on the stock. Telus International operates call centres on behalf of over 650 corporate clients in 32 countries. It also helps them manage their computer systems and mobile apps.

However, the company's capital spending continues to ease as it completes a multi-year plan to upgrade its wireless and high-speed Internet networks.

Thanks to those savings, with the January 2025 payment, Telus will increase your quarterly dividend by 3.4%, to $0.4023 a share from $0.3891. The new annual rate of $1.609 yields a high 7.3%.

Telus is a tax-loss selling buy.

NUTRIEN INC. $68.00 (Toronto symbol NTR; TSINetwork Rating: Average) is the world's largest producer of agricultural fertilizers. It ships about 27 million tonnes annually.

Nutrien took its current form on January 1, 2018, through the merger of fertilizer producer Agrium (old symbol AGU) and its rival Potash Corp. of Saskatchewan (old symbol POT). At the time, Potash Corp. investors owned 52% of the new company, while Agrium shareholders held the remaining 48%.

The stock shot up to an all-time high of $147.93 in April 2022 following Russia's invasion of Ukraine. Russia, and its ally Belarus, are major producers of potash fertilizer and economic sanctions hindered their exports. That helped lift Nutrien's average potash selling price by 112.8%, to $630 U.S. a tonne in 2022 from $296 U.S. in 2021.

However, fertilizer prices are subject to a wide variety of factors, including weather and crop prices. As a result, potash prices have dropped to around $213 U.S. a tonne, and Nutrien's stock is now 54% below its 2022 peak. It's also down 14% since the start of 2024.

Nutrien should rebound over the next few years. It has some of the lowest cost operations in the industry, which helps shield it from volatile fertilizer prices. Its large retail operations—selling seeds, fertilizer and other agricultural supplies to farmers—also lowers its exposure to fertilizer prices.

The company will probably earn $3.61 U.S. a share in 2024, and the stock trades at an attractive 13.3 times that estimate. Nutrien also raised your quarterly dividend by 1.9% with the April 2024 payment, to $0.54 U.S. a share from $0.53 U.S. The new annual rate of $2.16 U.S. yields a solid 4.5%.

Nutrien is a tax-loss selling buy.

GENUINE PARTS CO. $127.31 (New York symbol GPC; TSINetwork Rating: Average) is a leading seller of replacement auto parts. It also distributes industrial parts such as bearings, seals, pumps and hoses.

The stock is down 7% since the start of 2024 due to slowing demand for auto parts and industrial equipment.

Genuine now forecasts 2024 earnings of between $8.00 and $8.20 a share; that's down from its previous forecast of $9.30 to $9.50 a share. The stock trades at a reasonable 15.7 times the midpoint of that new range. As well, new investments in its computer information systems and expanding its inventories will help it avoid product shortages and improve customer service.

Investors also benefit from Genuine's 68 years of annual dividend increases. The latest hike came in April 2024 when the quarterly dividend rose 5.3%, to $1.00 a share from $0.95. The new annual rate of $4.00 yields 2.9%.

Genuine Part is a tax-loss selling buy.

STANLEY BLACK & DECKER INC. $88.27 (New York symbol SWK; TSINetwork Rating: Average) is one of the world's largest makers of hand and power tools.

The stock is down 10% since the start of 2024 on concerns the rising cost for steel and other raw materials is hurting its earnings.

Stanley is currently restructuring its operations, which includes closing factories and shrinking the number of products it makes. The plan should cut $1.5 billion from its annual costs in 2024. Those annual savings should rise to $2.0 billion by the end of 2025.

The plan should also lift its gross profit margin (gross profits divided by revenue—the higher, the better) from about 30% in 2024 to between 35% and 37% in 2027 and beyond.

Those higher earnings will also let Stanley keep raising your dividend. With the September 2024 payment, it increased your quarterly dividend by 1.2%, to $0.82 a share instead of $0.81. The annual rate of $3.28 a share yields 3.7%. The company has paid regular dividends for 148 years and had raised the annual rate each year for the past 57 years.

Stanley now expects its turnaround plan lifted its earnings from $1.45 a share in 2023 to between $3.90 to $4.30 a share in 2024. The stock trades at a reasonable 21.5 times the midpoint of that range.

Stanley Black & Decker is a tax-loss selling buy.

LAMB WESTON HOLDINGS INC. $78.72 (New York symbol LW; TSINetwork Rating: Average) is a leading producer of frozen french fries, potatoes and other packaged vegetables.

Until November 9, 2016, it was a unit of Conagra Brands Inc. (New York symbol CAG). That's when Conagra spun off Lamb Weston and handed its investors one Lamb Weston share for every three Conagra shares they held.

Lamb Weston’s sales and earnings have suffered lately as cost-conscious consumers make fewer trips to fast-food restaurants as they cope with higher inflation and interest rates. Consumers are also spending less on frozen potato products. As a result, the stock is down 28% since the start of 2024.

In response, the company is now closing an older, less-efficient processing plant. It’s also cutting 4% of its workforce and reducing other expenses. These actions should cut $55 million from its annual costs in fiscal 2025. Those annual savings will rise to $85 million by the end of fiscal 2026.

As well, activist investment firm Jana Partners now owns 5% of the company. Jana wants Lamb Weston to conduct a strategic review of its operations. That could lead to a sale of the entire company.

Lamb Weston’s moderate market cap of $11.2 billion would make it an attractive takeover target for a larger food company. Even if a sale fails to materialize, Jana’s involvement helps draws investor attention to the company’s high-quality assets.

In the fiscal year ending May 31, 2025, the company expects to earn between $4.15 and $4.35 a share, which is down from its earlier forecast of $4.35 to $4.85 a share. The stock trades at a reasonable 18.5 times the midpoint of that new range. The $1.44 dividend looks secure, and it yields 1.8%.

Lamb Weston is a tax-loss selling buy.

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About TSI Network

With over four decades of experience as an advisor, commentator, editor and publisher, Pat McKeough has a long record of determining which stocks are bound to reward investors most.

Over the past two decades he has been the editor and publisher of a growing series of investment newsletters through *TSI Network.* Pat also offers two investment advice services, *Inner Circle* and the advanced *Inner Circle Pro*. Since 1999, he and his team have put his investment approach to work for private clients in his Successful Investor Wealth Management business.

His philosophy is anchored in safety and a balanced portfolio to generate accelerating gains for subscribers and clients. TSI Network now publishes seven newsletters for every kind of investor:

1. ***The Successful Investor***—Pat's flagship advisory continues to be a beacon for Canadian investors seeking growing gains and reduced risk with the best Canadian stocks.

2. ***Power Growth Investor—***If you like the idea of "a conservative approach to aggressive investing", this advisory has Canadian and U.S. stocks with escalating growth potential.

3. ***Wall Street Stock Forecaster—***Your portfolio is much stronger with at least 20% in U.S. stocks—and this special advisory covers the 70 best U.S. stocks for Canadians.

4. ***Canadian Wealth Advisor—***A 'safety-first' advisory offering you the best conservative strategies based on well-established Canadian dividend stocks, ETFs and REITs.

5. ***TSI Dividend Advisor—***In this advisory, our exclusive Dividend Sustainability Ratings® will change the way you look at dividend stocks—and the way you invest in them.

6. ***Spinoffs & Takeovers—***If you'd like "the closest thing to a sure thing in investing," this advisory on spinoffs and other special opportunities is utterly unique.

7. ***The Best ETFs for Canadian Investors—***This ground-breaking publication shows you how to get the best results with ETFs as these investments explode in popularity.

In 2002, Pat founded his ***Inner Circle***, offering investors more personal attention, plus access to his four original publications. Members can ask Pat personal investment questions. They also get his commentaries and answers to questions posed by other Inner Circle Members. In 2017 he launched ***Inner Circle Pro***, an advanced group that receives all seven of his newsletters.

Through ***Successful Investor Wealth Management***, Pat and his team manage over $700 million for individual Canadian investors. Free of comprising ties to brokerages, with no hidden costs or commissions, the team charts an independent course for clients. For the past 18 years the portfolios they manage for clients have enjoyed an uncommonly high annual average return.
You will find more information on all of these services at www.tsinetwork.ca.