

Is This a Good Time to Invest In "Holiday Stocks"

The stock market is affected by seasons. For instance, the market slows in summer as most traders take a break from activities, leading to low trading volume and high volatility. At Christmas, the market usually witnesses an increase in trading activity the day before a long weekend or holiday.

The holiday effect can result either in an influx of traders or fewer traders in the market. Holidays affect the stock market's activity level and influence trading strategies. As a trader, you should be equipped for a make-or-break season.

Most businesses experience an increase in customer spending during the holiday season. Summer is a good time to invest in holiday stocks.

The stocks have high trading activity and a rise in business during the holidays. Here is why investing in holiday stocks may be a good time.

1. Low Trading Volume and Liquidity

A wide range of factors causes low trading volume, including global factors like inflation and an increase in interest rates. Such events see a dip in activity, leading to low trading volume and increased volatility.

Most of the time, the situation reverses, and regular trading activity resumes. Being summer, the trading volume for most stocks is generally low. Most traders sell their stocks in May and look to resume trading activities in autumn.

While investors are discouraged from trading during this period, it could present an opportunity for investors looking to buy and hold shares. This would be an ideal time too to in seasonal stocks.

During this time, stocks are thinly traded, and investors could benefit from low prices. Experienced investors pick the holiday stocks now, knowing their performance will boom in the long run.

Investors who buy stocks when they are underperforming secure themselves positions to make profits in the long run. You could employ the same strategy: buy the holiday stocks like the retail ones now and watch their prices triple during the holiday season.

While buying low trading volume stocks, you should determine if the drop in trading volume of the shares is motivated by a change in market direction or if it is anticipated.

For instance, light trading today may be anticipated, as summer trading patterns are characterized by low activity.

2. Reversal

The decline in trading volume is also an indicator of an imminent reversal, which you could take advantage of by investing in holiday stocks. Since there is a downtrend, investors can look forward to a reversal.

When the market dips, you can make an entry by buying stocks below their market value. When the market rises during the holiday season, you will make money. Previously, the low-volume trading stocks benefitted the most from a market rise; buying now could be a good move.

Which Stocks Should You Invest in?

There is a wide range of holiday and seasonal stocks to invest in. For instance, while summer is known for low trading volume, there are stocks you can consider. At this point, people are traveling a lot and spending money.

This means there are specific companies that may outperform. For instance, airlines and cruises have many bookings; their shares could perform well.

Booking agencies and hotels are also experiencing considerable traffic. The same applies to car rentals. If you are a short-term investor, this could work for you.

There are other holiday stocks you could work with if you are a long-term investor. For instance, retailers realize a 3.7% increase in sales during holidays like Christmas. Retailers like Amazon also get a lot of traffic during the holiday season. Looking at it from a stock market lens, much trading takes place a day or two before a long holiday begins. This results in high trading volume and low volatility, making it an excellent time to buy and sell. If you bought the stocks in summer with low trading volume and prices, you could benefit significantly from selling them.

Investing in Holiday Stocks

There are many trends to look out for when investing in holiday stocks. For instance, you could take advantage of the market conditions of an underperforming stock during a specific holiday, hold the stocks, and trade them when they are profitable.

Identify well-positioned companies during summer, winter, spring, and autumn. This way, you can determine how best to invest. Some holiday stocks are best for short-term investing, and others for long-term investments.

Look for a dipping holiday stock to buy, and sell your shares for profits when the market rises.

Traders need to remember that there are no guarantees when it comes to stock investments. However, knowing seasonal stocks and how holidays affect share prices will help you be better positioned to invest.