2021 Stock pick review & 5 Stock picks for 2022

Report written by Clear Capital research

Promotion

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It's that time of year when once again we review the performance of our stock picks for the year and look forward to what's in store for 2022.

The FTSE 100 is up around 9% this year but has underperformed its European and U.S. peers amid fears over inflation, supply chain problems, and surging energy costs. Our 2021 recommendations were published on the 30th of December 2020 and overall, it's been a strong year for our picks. We picked 5 stocks across a range of sectors that we believed would provide index beating returns.

The standout performer from the list of stocks was the nations favourite baker, Greggs. The company has continued to keep investors ahead of the market by return just over 70% over the past year. The next best performer was banking giant Barclays chipping in with an impressive 26%. The shares are well off their 2021 highs, at which point the return would have been more than 40%. Finally on the winning side of things we have Avast registering returns of over 17.5%.

Our record however was slightly tainted by the performance of online clothing retailer ASOS. The once darling of the stock market has suffered during 2021 registering negative returns more than 50%. We were also let down by insurer Direct Line which was offside by 7.61% at the time of writing.

Had investors picked up our recommendations, investing equal amounts in each company, then we would have outperformed the FTSE 100 index by just over 1.8%, by over 2.5% versus the FTSE 250 and 4.5% versus the FTSE Small Cap index. We consider that to be a success and hope this kind of performance will be replicated in 2022.

All of these returns are hypothetical and actual outcomes many differ considerably. It is also worth noting at this point that past returns are not indicative of future returns.

Stock	Entry	Low	Max. DD	High	Max. Uplift	Last Price	Current Return
Barclays	142.88	128	-10.41%	203.9	42.71%	180.08	26.04%
Greggs	1811	1701	-6.07%	3218	77.69%	3099	71.12%
Avast	518.4	408	-21.30%	618.8	19.37%	610	17.67%
ASOS	4827	2235	-53.70%	5995	24.20%	2266	-53.06%
Direct Line	298.1	260.8	-12.51%	318.6	6.88%	275.4	-7.61%
		Average DD	-20.80%	**Average Uplift**	34.17%	**Average Return**	10.83%

Stock	Entry	Low	Max. DD	High Price	Max. Uplift	Last Price	Current Return
FTSE100	6602.65	6397	-3.11%	7402.68	12.12%	7201.43	9.07%
FTSE250	1960.5	1850.5	-5.61%	2294	17.01%	2122	8.24%
FTSE Small Cap	22990	21955	-4.50%	27055	17.68%	24410	6.18%
		Average DD	-4.41%	**Average Uplift**	15.60%	**Average Return**	7.83%

Source: Tradingview.com *Prices are accurate as of December 16th, 2021. High price and Current return figures do not consider the difference between the buy and sell price (the spread). No dealing costs are factored into these hypothetical returns.

ADMIRAL GROUP (ADM)

Admiral Group plc is a United Kingdom-based financial services company. The Company is engaged in offering motor insurance, household insurance, travel insurance and lending products. The Company has four segments: UK Insurance, International Insurance, Admiral Loans and other.

Fundamentals

Admiral shares were dealt a blow in recent weeks following the sale of a 5.5% stake owned by Munich Re. The company has very close ties and remain a large shareholder, but there have been some concerns as there is no clear reason for the sale. Munich Re still own 18million shares, clearly it would be more concerning if Munich Re has sold entirely. Overall, the business in great shape, and is typically sheltered during tough economic times. Another strong reason for owning the shares is the 5.26% dividend yield, which is 2% higher than the average of the FTSE100.

Market Capitalisation: £8.77Billion
Sector: Nonlife Insurance
12 Month Price Range: 2782 – 3706p

Technical Analysis

Admiral shares have dipped sharply in recent months having reached highs of 3574p. The pullback in price appears to have found support at around 2850p, which also coincides with a 78.6% Fibonacci level. The bearish momentum has slowed in recent weeks and volumes have begun to tick higher. This could suggest that an equilibrium has been found and we are about to see this tip back in favour of the long-term bulls. The long-term trend remains in fantastic shape, so this appears to be a good opportunity to buy for the medium to long term, we expect to see new highs in price next year.

Verdict: BUY
Buy between 3030 – 3130p
Stop: 2750p
Target: 3800p

Source: Tradingview.com & LSE.co.uk

ASTRAZENECA (AZN)

AstraZeneca PLC (AstraZeneca) is a patient-focused biopharmaceutical company. The Company focuses on discovery and development, manufacturing and commercialization of prescription medicines, primarily for the treatment of diseases. The Company is focused on three main therapy areas: Oncology; Cardiovascular, Renal & Metabolism, and Respiratory & Immunology.

Fundamentals

AstraZeneca has benefitted from being one of the world's top producers of coronavirus vaccinations, but the company offers far more than just that. Demand for Covid vaccines, will (hopefully!) not last forever, so it is important to look beyond that at the AstraZeneca pipeline. The company is leading the fight against cancer with its growing portfolio of oncology treatments, while continuing to invest billions in research and development each year. AstraZeneca is likely to remain at the forefront of medical advances and continue providing value to shareholders.

Market Capitalisation: £132.07Billion
Sector: Pharmaceuticals & Biotechnology
12 Month Price Range: 6736 – 9523p

Technical Analysis

The long-term price trend on AstraZeneca remains extremely positive and there is no sign of things slowing. During 2021 we saw the shares decline from previous all-time highs set in 2020 and consolidate in a wedge pattern towards 6800p. In April 2021 the shares exited this wedge pattern to the upside, trigging fresh bullish momentum, reaching highs of 9523p. The retreat in recent weeks appears to be nothing more than a healthy pullback within a long-term uptrend. We expect to see buyers return and push prices on to new all-time highs in 2022.

Verdict: BUY
Buy between 8200 – 8500p
Stop: 7720p
Target: 11600p

Source: Tradingview.com & LSE.co.uk

RIO TINTO (RIO)

Rio Tinto plc is a mining and metals company. The Company's business is finding, mining and processing mineral resources. The Company's segments include Iron Ore, Aluminium, Copper & Diamonds, Energy & Minerals and Other Operations. The Company operates an iron ore business, supplying the global seaborne iron ore trade.

Fundamentals

Rio Tinto was one of the largest gainers in the UK 12 months after the 2020 March lows. Things have cooled in recent months but could be about to heat up again. Investors often turn to commodities when inflation is rising, it is also worth noting that the increase in demand for green technology is a big boost for Rio Tinto. The diversified miner has access to crucial elements needed to manufacture electric vehicles, and increased demand is leading to increased prices. The company is also yielding at around 10%, which is a very appealing proposition.

Market Capitalisation: £79.11Billion
Sector: Mining
12 Month Price Range: 4354 – 6788p

Technical Analysis

Rio Tinto shares reached a peak of 6338.5p in May 2021 and since then have corrected lower within a channel pattern. Overall, the uptrend remains in good shape, and it is worth noting that mining stocks led the way in terms of performance in the wake of the step market drop caused by the pandemic. The pullback in price to the 50% Fibonacci support level looks attractive from a value perspective. While the uptrend remains in such good shape, we believe this is a good opportunity to buy ahead of the shares making new highs in 2022.

Verdict: BUY
Buy between 4750 – 4900p
Stop: 4295p
Targets: 7000p

Source: Tradingview.com & LSE.co.uk

LLOYDS BANKING GROUP (LLOY)

Lloyds Banking Group plc is a financial services company, which is focused on retail and commercial customers. The Company operates multiple brands through three core divisions: Retail, Commercial Banking and Insurance and Wealth. Its services are offered through brands, including Lloyds Bank, Halifax, Bank of Scotland and Scottish Widows.

Fundamentals

Bank stocks received a boost when the Bank of England raised interest rates. Higher interest rates mean banks can increase their own lending rates as well, which should improve margins. Inflation is expected to remain elevated and therefore we could see more rate hikes throughout 2022. Lloyds Bank derives a higher percentage of its revenue from the UK and therefore is well positioned to benefit from higher rates. Banks are now able to pay dividends again, which were temporarily halted at the beginning of the pandemic and the group is trading at a PE ratio of 7x, which is quite attractive. 2022 could be a great year for Lloyds Banking Group.

Market Capitalisation: £33.32Billion
Sector: Banks
12 Month Price Range: 32 – 51.58p

Technical Analysis

Lloyds Bank continues to recover steadily from the pandemic lows, but still has lots of catching up to do. The shares went through a consolidation phase in recent weeks to form what looks to be a bullish flag pattern. This is often viewed as a continuation pattern, so we expect to see continued strength over the coming months. There is an unfilled gap on the upside at 53.68p, if the shares can overcome that, then we could see a move towards the previous highs around 70p during 2022.

Verdict: BUY
Buy between 44 – 48p
Stop: 41p
Targets: 70p

Source: Tradingview.com & LSE.co.uk

UNILEVER (ULVR)

Unilever PLC is a fast-moving consumer goods (FMCG) company. The Company's segments include Beauty & Personal Care, Home Care and Foods & Refreshment. The Beauty & Personal Care division operates in five categories: deodorants, skin cleansing, hair care, oral care and skin care. Dove, Rexona, Lux, Axe and Sunsilk are Personal Care brands.

Fundamentals

Consumer goods giant Unilever has huge portfolio of household brands. The business operates globally, which helps diversify its revenue streams. The company services 2.5billion people per day, which essentially means one in three people on earth are Unilever customers. Growth has slowed in recent times, but the pullback in price appears to represent good value. The company has solid defensive characteristics, and with the 2022 outlook being slightly uncertain, Unilever could be a good option.

Market Capitalisation: £102.41Billion
Sector: Personal Goods
12 Month Price Range: 3721 – 4519p

Technical Analysis

We have displayed the monthly chart on Unilever to do the uptrend the justice it deserves. Since 1996 the shares have been extremely reliable for investors. 2021 marked a year of underperformance from Unilever as the shares have consolidated. The shares are trading in a triangle pattern on the longer-term charts, but we expect this to break to the upside and lead to a continuation higher in price towards new all-time highs.

Verdict: BUY
Buy between 3900 – 4100p
Stop: 3735p
Targets: 5000p

Source: Tradingview.com & LSE.co.uk

FTSE 100 – 2022 Outlook

The FTSE 100 has had a reasonable year, rising just over 9% at the time of writing. It has however been another year that has been defined by the pandemic. The UK has had various ups and downs to contend with throughout 2021, but all in all, we are still seeing growth, and this should continue. The FTSE100 index still appears to be the best place for investors to capitalize on a continued economic recovery in the UK. The big question in the coming year will be around how the UK Government and Bank of England tackle inflation concerns. Higher interest rates are expected, and it may prove to be a tough balancing act to keep investors interested in stocks. If rates rise too high, it may be more appealing to save in standard interest accounts and avoid risk.

Technical Analysis

Fundamentally we know there are potential bumps in the road that could impact the outlook in 2022. However, assessing things from purely a price action perspective, we can make a positive case for the UK's major benchmark index. The index overall continues to trade in an impressive uptrend from the March 2020 lows. We are edging closer to a complete recovery from the pandemic by reaching levels last seen in the early part of 2020. If the market can recover to those levels, then we can start eyeing up the previous all-time highs made in 2018 at 7903. We believe that while the index remains above 6813, we can expect to see higher prices over the coming months.

Verdict: Bullish above 6813
Expected high during 2022: 8000 (New all-time highs)

Source: Tradingview.com & LSE.co.uk

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