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An investment chief says stocks will have smooth sailing ahead as they sit at highs and interest rates rise — and shares 4 he's betting on for the next couple years, including 2 he thinks could surge 100%

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Stocks hit fresh highs on Thursday as President Joe Biden signed into law the $1.9 trillion COVID-19 relief package passed by Congress earlier this week.

The move upward comes after two weeks of volatile trading, with rapidly rising 10-year Treasury yields spooking investors.

For now, though, the coast seems to be clear for stocks, according to Jordan Kahn, the chief investment officer at ACM Funds and comanager of the ACM Dynamic Opportunity Fund, which takes a long-short approach that's somewhat in the fashion of a hedge fund.

In addition to the gargantuan stimulus package that will be supportive of consumer spending, equity investors can rely on the fact that the global recovery is still in its early stages, interest rates remain low, and the Federal Reserve is committed to quantitative easing, Kahn told Insider on Wednesday.

He said he thought it would take several rate hikes from the Federal Reserve before stocks were hurt. As of now, it appears that the Fed will keep the federal funds rate near zero at least into 2022, if not longer.

Kahn also said he believed that while 10-year Treasury yields would eventually continue rising toward 2% by the end of the year as economic activity ramped up, stocks would be able to stomach the move because it wouldn't be as sharp of a jump as it was in recent weeks. He also said he thought yields were done moving in the near term.

But don't mistake all that to mean Kahn is bullish on the megacap tech stocks that have led the market over the past several years.

While he thinks they still may have some upside, investors will find the best opportunities in more cyclical trades, he said.

It's a new paradigm for Kahn.

"This is a really interesting juncture. For years, if you would have asked me that question, I would have said we run our screens on a daily basis, we try to pick up on leadership in the market, and, for most of that time, our screens have been picking up on these big growth leaders that have been doing so well in the market," Kahn said when asked about his outlook on the market and where he sees opportunities.

"Now we're just starting to see that sort of leadership breaking down and more cyclical names start coming through to our screen," he added.

Kahn said he and his team looked for stocks that would rise at least 30 to 50% in a 6- to 18-month period. We asked him what some of his favorite names were as the economy prepared to reopen.

4 stocks to buy — including 2 that could rise 100%

Kahn listed four stocks he thought fit this minimum 30 to 50% upside requirement for the couple years ahead. One is **Westlake Chemical (WLK)**, a maker of products that are used in pipes, medical devices, and more. He said its earnings revisions this year and valuation made it attractive, as well as how much it had tied to economic performance.

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"Looking at the earnings revisions just this year, they've been revised higher by about 72%," he said. "The stock trades at about 17 times earnings for an expected growth rate of almost double than that over the next 3 to 5 years."

Kahn also likes **EOG Resources (EOG)**, an energy company. He said the stable outlook for oil prices in the months ahead amid heightened economic activity bode well for the firm, in addition to its still depressed share price from 2018 levels.

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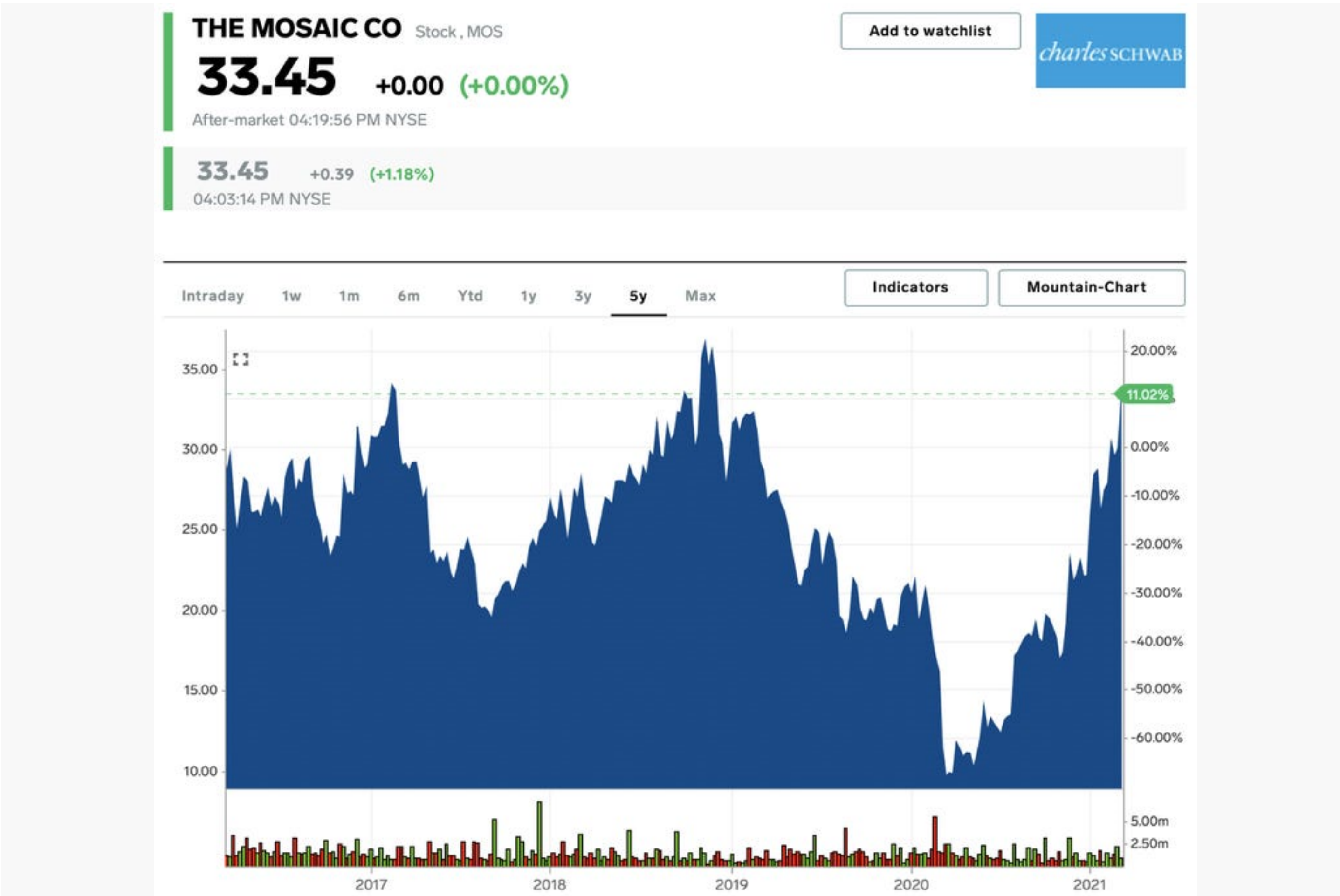
But Kahn also listed two stocks he thought could rise as much as 100%. The first is the fertilizer producer **Mosaic (MOS)**, as people become more willing to spend money on things like gardening with a recovering economy.



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He said its beaten-down valuation made it a strong opportunity.

"Just this year, just in the last three months, when we look at earnings revisions," he said, "earnings have been revised upward by over 100%. So the stock is trading at 12 times estimates. Estimates are still not near their peak where they were back in 2015."

The second is the financial firm **Rocket Mortgage (RKT)**. The financial sector is as one of the most attractive sectors in the market right now, according to consensus.

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He said the company's valuation and strategy were tailwinds for it.

"When we started buying it just a couple weeks ago, it was trading at 10 times earnings," he said, adding that they trimmed some of their position in it when it surged because of day-trader activity. But they still think it can double from current levels, he said.

"Earnings are still kind of depressed. This is a stock that's trading at half its growth rate," he added.

"They're a real leader in the space. They have the technology, good consumer awareness, so they'll probably be adding more lines, meaning more areas of consumer finance" like auto loans, he said.