



China commentary, U.S. data spur the S&P/TSX Composite to a triple-digit Tuesday gain

Description

The **S&P/TSX Composite Index** (^GSPTSE) posted a 168 point gain on Tuesday after Chinese officials indicated they'll ensure there's enough liquidity in the banking system to prevent a freeze-up and U.S. economic data came in better than expected.

Durable goods orders in the U.S. rose 3.6% last month, exceeding analyst estimates of 3%. In addition, U.S. home prices in 20 cities jumped 12.1% over last April. Data also showed a 2.5% gain in house prices in April from March, the biggest month-over-month gain on record dating back to 2000.

So let's try to get this straight. Last week, the Fed indicated that the U.S. economy is doing so well that it can begin removing itself from the equation by discontinuing its ample open-market actions. Market participants hated the idea of a strong economy/Fed stepping aside and sent stocks spiraling.

Today, "investor's" are in love with the stronger than expected economic data, which only helps to re-enforce the Fed's view. Good grief!

Leading the Canadian market higher on Tuesday were two of the big banks. **TD Bank** ([TSX:TD](#)) and **Royal Bank** ([TSX:RY](#)) were the two most significant contributors to the day's gain. Each posted an increase of 1.9% and 1.3% respectively. Banks like a strong economy.

Also posting a sizeable contribution was **Enbridge** ([TSX:ENB](#)). The company's stock potentially benefitted from the news that one of three major pipelines in Alberta it had shut down over the weekend has restarted. The remaining two lines are expected to be back flowing over the next several days.

The only group of stocks to not have a good Tuesday were, you guessed it, the golds. **Barrick Gold** ([TSX:ABX](#)) was the biggest drag on today's market as the stock slid a further 2.1%. Strong economic data that further cements the likelihood of the Fed shutting down the printing presses is bad for gold.

Foolish Takeaway

Once again financials and resource stocks dictated our market's performance. Because of their heavy-weights in the TSX, these stocks can be lethal for investors that think they are well-diversified with an index fund or ETF linked to the S&P/TSX Composite Index.

We have prepared a [Special FREE Report](#) that will clue you into the perils of investing in this kind of product and suggests an easy to implement alternative strategy. It's called "**5 Stocks That Should Replace Your Canadian Index Fund**" and you can receive a copy at no charge – just by [clicking here](#).

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Fool contributor Iain Butler owns shares of Barrick Gold. The Motley Fool doesn't own shares in any of the companies mentioned.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:ABX (Barrick Mining)
2. TSX:ENB (Enbridge Inc.)
3. TSX:RY (Royal Bank of Canada)
4. TSX:TD (The Toronto-Dominion Bank)

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