Bank Stocks Lead the Way Once Again on the S&P/TSX Composite

Description

For the second day in a row, Canadian bank stocks were the biggest reason for our market finishing the day in the green. Today's move was supported by strong economic data and solid earnings coming out of the U.S. And the fact that Fed Governor Bernanke's second day of testimony didn't indicate that he plans on pulling the punch bowl anytime soon certainly didn't hurt.

After hitting a bit of a skid a few weeks ago, North American equity markets have more than resumed their upward trajectory. As the U.S. market has once again breached its all-time highs, with today's 60 point rise, the **S&P/TSX Composite Index** (^GSPTSE) is back to where it was at the beginning of June. However, at 12,268, the Canadian index remains well below its all-time high north of 14,000 set back in June 2008.

The Canadian banks have been doing their part of late to help the TSX garner the same kinds of accolades as the record setting U.S. market. **Royal Bank** (TSX:RY), **TD** (TSX:TD), and **Scotia** (TSX:BNS) were amongst today's top 5 contributors with respective gains of 1.5%, 1.5%, and 1.4%. The banks are potentially benefitting from the reasonably optimistic economic and earnings reports that are coming through in the U.S. Add in a dash of "the Fed not going anywhere" and you've got a recipe for shareholder friendly returns out of these names.

Bank naysayers however were given some ammo today with the news that new home sales in Toronto during the first half of this year were the second-lowest in a decade. Condos were behind this shortfall.

And even though the price of gold finished up on the day, just like yesterday, **Goldcorp** (TSX:G) and its 1% slide was the day's biggest detractor. After lifting through the morning session, spot gold slid through the afternoon, bringing the mining stocks down with it. A strong U.S. dollar was behind gold's trajectory.

Foolish Takeaway

Once again, financials and resources had a significant impact on our market's performance. Because of their heavy-weightings in the TSX, these stocks can be harmful for those investors that think theyare 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 passively investing in the Canadian index and suggests an easy to implement alternative strategy. The report is called "**5 Stocks That Should Replace Your Canadian Index Fund**". One of these 5 is in the process of being taken over at a huge premium. You can find out who the remaining 4 are simply by **clicking here**.

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Fool contributor Iain Butler is short July 2013 $32 put options on Goldcorp. The Motley Fool doesn't own shares in any of the companies mentioned.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:BNS (Bank Of Nova Scotia)
2. TSX:RY (Royal Bank of Canada)
3. TSX:TD (The Toronto-Dominion Bank)

Category

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