



The 5 Top Investing Stories of 2014

Description

Ah, it's the New Year. A time when market pundits haul out their crystal balls to make their annual predictions. Some will be right. Most will be wrong. But one thing is for sure: predictions usually aren't the hallmark of great investors.

But even though we can't predict the TSX closing price on December 31, it doesn't mean we can't prepare for the New Year. We can reasonably expect a few stories to dominated the headlines in 2014. And these will be important themes for investors to keep an eye on.

1) It's make or break for the oil sands

The New Year will be critical for the Alberta oil sands. Producers have one goal in mind: get their bitumen to the coast. And a number of key decisions will be made in this regard during 2014.

While they're no guarantees, the U.S. State Department is expected to make a decision on **TransCanada's** (TSX:TRP, NYSE:TRP) 830,000 barrel per day Keystone XL pipeline. While the project is critical for oil sand producers, Keystone has become a flashpoint between environmentalists and the energy industry.

The proposal still faces a lengthy review process. The State Department will table its report this spring after which it will be reviewed by eight Federal agencies. Only after this will President Obama will give the final word on the matter in the spring.

Enbridge (TSX:ENB, NYSE:ENB) too faces several key decisions in the New Year. The company's 535,000 barrel per day Northern Gateway pipeline received conditional approval from regulators last month. However, the project still faces resistance from environmentalists and aboriginal groups.

The National Energy Board is also expected to make a decision on reversing Enbridge's Line 9 route. If approved, the pipeline will ship 60,000 barrels per day of Alberta bitumen to Eastern refineries in Ontario and Quebec.

Bottomline: getting Alberta to the coast will be a top priority for energy investors in 2014.

2) Will BlackBerry make a comeback

It was a tough year for **BlackBerry** (TSX:BB, NASDAQ:BBRY). First, the launch of the company's BB10 operating system was a flop. Then an attempt to take the firm private fizzled due to a lack of financing. Finally, the year was topped off by billions in losses and thousands of layoffs.

But new Chief Executive John Chen has a plan to turn the company around. Mr. Chen plans to rally around the firm's remaining strengths including BlackBerry's reputation for security and its QNX operating system. And last month the company announced a deal with Asian giant Foxconn to outsource BlackBerry's hardware manufacturing.

In 2014 we will get a sense on what the 'New BlackBerry' will look like – or even if the Canadian icon has a future at all.

3) The great commodity industry comeback

The past year was also tough for the materials space. Commodities like gold, silver, potash, wheat, and corn all ended the year near their respective 52- week lows. And pretty well every headline coming out of the mining industry could be summed up as, 'Company ABC Reports Loss, Cuts Spending, and Slashes Dividend'.

While spending cuts are likely to continue into the New Year, a lack of new investment could firm up commodity prices.

For example uranium is trading around \$35 per pound. However, we need prices of at least \$70 to \$80 per pound to justify new mine construction. Even though demand remains weak following the Fukushima disaster, dwindling supplies could result in a shortage.

The same may be true for gold prices. As **Silver Wheaton** (TSX:SLW, NYSE:SLW) [Chief Executive Randy Smallwood explained to us last month](#), US\$1,200 per ounce gold prices will result in the shutdown of many high-cost mines. Once again, slumping production should firm up prices.

4) Higher interest rates are on the way

The financial crisis ushered in an era of ultra-low interest rates. But the fixed income bonanza is coming to an end as central bankers take their feet off the stimulus pedal.

We're seeing this start already. In the past nine months, the yield on a 30- year U.S. Treasury bond increased over 1,000 basis points to 3.9%. And in December the Federal Reserve announced that it would dial back its asset purchase program by \$10 billion per month.

With the economy revving up, investors want to transition out of safe bonds and into other asset classes. All of this means we get to see who was swimming naked when the tide goes out.

5) Canada will continue to underperform the United States

In Canada, the consumer is looking tapped out.

The nation's debt to disposable income has hit levels only seen in the U.S. and the U.K. just before the financial crisis. On any metric, [housing valuations are sitting near all-time highs](#). And as mentioned above, higher interest rates threaten to take a bite out of spending.

All of this means industries that benefit from or rely on extending consumer credit – such as banks, real estate, or retail – are in for a tough 2014.

In contrast, the American consumer is just waking up from a long slumber. Personal indebtedness is sitting at ten year lows. And last quarter the economy expanded at a over a 4% annualized clip thanks mostly due to consumer expenditures.

This could mean another year of disappointing returns for Canadian investors relative to our U.S. neighbours.

Foolish bottom line

When the pundits reflect back on 2014 come next December, these are likely to be the stories everyone will be talking about. But regardless of where the market turns, it should at least be another exciting year.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:BB (BlackBerry)
2. TSX:ENB (Enbridge Inc.)
3. TSX:TRP (TC Energy Corporation)
4. TSX:WPM (Wheaton Precious Metals Corp.)

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