



## Can the TSX Rally Last?

### Description

The TSX has hit record highs and is trading at its June 2008 pre-crisis levels. In fact, Canadian stocks have rallied so much that the TSX is now the second-best performing market in the world, after India's BSE Sensex.

Since the start of the year, the TSX is up 11%, and is slowly catching up with the Sensex's 19% acceleration. But how long is the TSX rally going to last? And have the bulls not learned anything from the run-up to the last crisis?

Most of Bay Street is too busy celebrating and enjoying the rather spectacular performance of stock markets in North America. And who can blame them? About US\$1.5 trillion in value has been returned to Canadian equities since March 2009.

Investors who bought shares of **Valeant Pharmaceuticals** (TSX: VRX)(NYSE: VRX) in 2009 now enjoy a hefty reward. The company's share price has skyrocketed almost 900% since then. Valeant has been acquiring several firms to bolster its growth. Its most recent effort is the aggressive pursuit of Botox-maker **Allergan** (NYSE: AGN) for US\$54.2 billion. After failing to negotiate a deal with Allergan's board, Valeant took its bid directly to Allergan shareholders.

On the tail end, however, **Avigilon** (TSX: AVO) is one of the worst performing stocks, down about 18% since the start of the year. The company announced its CFO, Brad Bardua, was stepping down on the same day it was supposed to report its first-quarter results. The CFO leaving was reportedly the third executive to leave the company in six months. Although the company's earnings were strong, by then the stock had already erased about a third of its market capital.

Gas prices are also soaring due to violence in Iraq and tensions between Ukraine and Russia. Energy stocks are rebounding and with the June 17 conditional approval of the Northern Gateway pipeline, **Enbridge** (TSX: ENB)(NYSE: ENB) is back in focus. A weak loonie is also helping Canadian exporters.

### Be cautious with others are greedy

Having said all that, forgive me if I'm being a "Debbie Downer,"but let me say it again: didn't Warren

Buffett, the world's most renowned analyst and investor guru, say to be fearful when others are greedy and be greedy when others are fearful?

I don't believe Canadian stocks can possibly rise any higher given the country's shaky fundamentals, weak global economy, and colossal geo-political concerns. And on top of all that there's Canadians' high levels of debt — household debt hit a record 164.2% of disposable income towards the end of last year.

### **It's gold and silver's time to shine**

My bets continue to remain on a gold and silver price rally that is long overdue. Most analysts have given up on these metals and the few who remain bullish (and loyal), are mocked. Nevertheless, putting 25% of my savings in gold and silver (the actual metals, not gold/silver stocks) would still give me a better night's sleep than if I put it in the stock market at this current state. It's simply overpriced.

Silver finally tipped over the \$20 an ounce mark yesterday and gold added \$15 to its value. Both metals have admittedly misbehaved and proven their supporters wrong, to say the least. But from a medium to long-term perspective, there's undoubtedly a price rally in the pipeline.

After all, there's only a finite amount of the metal available and the Fed — and other central banks — can't really manipulate gold and silver by 'printing' more.

### **CATEGORY**

1. Investing

### **TICKERS GLOBAL**

1. NYSE:BHC (Bausch Health Companies Inc.)
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3. TSX:BHC (Bausch Health Companies Inc.)
4. TSX:ENB (Enbridge Inc.)

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