



From Peak to Peak, the S&P/TSX Has Changed Considerably Over the Past 6 Years

Description

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Dear Fellow Fools,

Last Thursday, June 19, the Canadian market gave my wife a birthday present that was far superior to the one I was able to muster. For the second day in a row, the **S&P/TSX Composite** set an all-time record close, finishing the trading day at 15,112.22. It's retreated slightly from this level, but you have to look all the way back to June 2008 to find "TSX" and "sets new record close" in the same sentence. It's been a while.

Indeed, decades from now, the history books are likely to focus on the fact that from June 2008 to June 2014, the Canadian market went nowhere. However, having just lived through this period, we know that nothing could be further from the truth.

Here are just a few things that the history books are very likely to leave out.

- June 18, 2008 – June 18, 2014 (6 years on the dot): 15,073.13 – 15,109.25
- Previous peak-to-peak experiences:
 - o August 13, 1987 – August 25, 1993 (6 years, 12 days): 4,112.86 – 4,122.92
 - o September 1, 2000 – January 3, 2006 (5 years, 121 days): 11,388.82 – 11,441.58

- Subsequent 6-year returns for S&P/TSX Composite from previous peak-to-peak experiences:
 - o August 25, 1993 – August 25, 1999: +75.2%
 - o January 3, 2006 – January 3, 2012: +6.7%

- 3 Biggest Stocks in the S&P/TSX Composite in June 2008: **BlackBerry** (\$82 billion), **PotashCorp** (\$75 billion), **Encana** (\$70 billion); their combined market capitalization: **\$227 billion**

- 3 Biggest Stocks in the S&P/TSX Composite today: **Royal Bank of Canada** (\$108 billion), **TD Bank** (\$101 billion), **Bank of Nova Scotia** (\$86 billion); their combined market capitalization: **\$295 billion**.

- Today's combined market cap of the 3 biggest stocks from June 2008: **\$60 billion** – BlackBerry (\$5 billion), PotashCorp (\$35 billion), Encana (\$20 billion) (Note: Encana spun out **Cenovus Energy** over this period and therefore this isn't a true apples-to-apples-comparison.)

- Top 3 performing stocks since June 2008 that currently reside in the S&P/TSX Composite:
 - o **Torex Gold Resources** (+7,115.9%); **Legacy Oil and Gas** (+3,375.3%); **Catamaran** (+2,567.7%)

- Worst 3 performing stocks over this period that are currently in the S&P/TSX Composite:
 - o **BlackBerry** (-93.3%); **Sheritt Int'l** (-72.5%); **Kinross** (-62.6%)

- 5 top performing companies that I'd never heard of 6 years ago:
 - o **Legacy Oil and Gas** (+3,375.3%), **Catamaran** (2,567.7%), **Valeant Pharmaceuticals** (+2,409.7%), **Crescent Point Energy** (+2,331.0%), **Surge Energy** (1,924.1%)

- Average market capitalization of these 5 companies in June 2008: **\$598 million** (includes Valeant's \$1.7 billion market cap)

- Average market capitalization of these 5 companies today: **\$15.0 billion**

- Notable current S&P/TSX Composite members (and their current market cap) that were not listed 6 years ago:
 - **Cenovus Energy** (\$26.1 billion), **Tourmaline Oil** (\$11.5 billion), **MEG Energy** (\$8.6 billion), **Dollarama** (\$5.9 billion)

- 3 most profitable companies over the past 6 fiscal years (cumulative net income):
 - **Royal Bank of Canada** (\$35.7 billion); **TD Bank** (\$30.5 billion); **Bank of Nova Scotia** (\$28.8 billion)

- 3 least profitable companies over the past 6 fiscal years (cumulative net income):
 - **Kinross Gold** (-\$8.0 billion); **Barrick Gold** (-\$6.3 billion); **Turquoise Hill Resources** (-\$1.8 billion)

- Combined amount of asset write-downs from Barrick Gold and Kinross Gold during the past 6 fiscal years: **\$26.7 billion**
 - **Barrick Gold** (\$20.0 billion), **Kinross** (\$6.7 billion)

- 3 top free cash flow generators during the past 6 fiscal years (cumulative):
 - **Power Financial** (\$64.5 billion), **BCE** (\$12.4 billion), **Thomson Reuters** (\$10.3 billion)

- Top 5 median annual return on equity (ROE) over the past 6 fiscal years (note: required a positive ROE in all 6 years to qualify):
 - **Rogers Communications** (38.5%); **Labrador Iron Ore Royalty** (35.7%); **Tim Hortons** (32.2%); **Constellation Software** (29.7%); **Wajax** (28.2%)

- 3 top dividend payers (cumulative) over the past 6 years:
 - **Royal Bank of Canada** (\$17.1 billion); **Bank of Nova Scotia** (\$13.5 billion); **CIBC** (\$8.3 billion)

Observations

One can go in a number of different directions interpreting this rather random set of facts and figures. Here's a few items that tweaked for me as I was putting it together:

- Past peak-to-peak experiences give us no indication of what the next six years for the Canadian market may look like. Even if the past experiences provided above pointed in the same direction, which they don't, the sample size of two is simply too small to draw any conclusions from.
- The banks continue to rule the Canadian market. With their continual stream of profits and sizeable dividend payouts, a 2020 version of this is unlikely to look much different.
- Though the banks will be solid, I do *not* believe they'll be among the *top* performers in the Canadian market over the next six years. To find these top performers, we're very likely to have to follow what the list shows and go with companies that are currently flying under the radar.
- The list doesn't demonstrate this, but watch out for massive acquisitions in relatively unstable industries. Through their massive asset write-downs, Barrick Gold and Kinross Gold have destroyed more shareholder wealth over this period than we'd care to ever see again. Big acquisitions raise big red flags!
- Great companies abound in our market as demonstrated by the mish-mash of businesses that registered a top median return on equity. They are hiding in every sector. Our job is to find them.

Bottom Line

Literally. A big part of our job here at Motley Fool Canada, through our *Stock Advisor Canada* advisory service, is to find those companies that are going to appreciate by many multiples of their current value over the next 6 to 10 years. To get started and have a look at the top 18 recommendations we've made thus far, all you have to do is [click here now](#). Don't hesitate and join us today to see what current members have been enjoying!

Foolishly yours,

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