



## Canada: Why Now Is the Time to Buy Stocks!

### Description

It has been a less-than-pleasant start to 2016 for stock-market investors because the TSX Composite Index is down by 2% for the year to date and 15% over the last year. This comes on the back of the havoc that weak crude is wreaking on Canada's economy, growing uncertainty about the global economic outlook, and uneasiness over asset prices.

For these reasons, Canadians could be forgiven for thinking that now is the time to avoid the market altogether and keep their portfolio in cash; investors are paralyzed by fear that the market can only get worse. Over the short term the market could certainly get worse, but as a contrarian long-term investor, I believe that it is times like these that offer considerable opportunities to profit from acquiring quality stocks at discounts.

### Now what?

When making a contrarian bet, an important aspect of doing so successfully is to identify companies that have wide economic moats and businesses that are resilient to downturns in the economic cycle.

It is here that Canada's Big Five banks offer considerable opportunities.

Not only do they operate in a heavily regulated industry that has steep barriers to entry, which protects their competitive advantage, it is an industry that possesses many oligopolistic traits. This, in conjunction with the relatively inelastic demand for banking services and products, allows them to be price makers rather than price takers and shields them from the full impact of economic downturns.

Of the Big Five, the two banks that offer the best growth opportunities are **Toronto-Dominion Bank** ([TSX:TD](#))([NYSE:TD](#)) and **Bank of Nova Scotia** ([TSX:BNS](#))([NYSE:BNS](#)).

Both have extensive businesses outside of Canada. Toronto-Dominion has considerable exposure to the buoyant U.S. economy, whereas Bank of Nova Scotia will profit from its exposure to the fast-growing economies of Latin America.

Let's not forget that both banks have a long history of rewarding investors with regularly growing

dividend payments that now yield 4% and 5%, respectively.

Another sector worthy of consideration is electric utilities—your classic defensive or non-cyclical stocks.

Typically, electric utilities benefit from wide economic moats and the unchanging demand for electricity, which not only makes them resilient to economic downturns, but virtually guarantees long-term earnings growth.

As a result, utilities such as **Canadian Utilities Limited** ([TSX:CU](#)) and **Fortis Inc.** ([TSX:FTS](#)) have long histories of growing dividend payments. Canadian Utilities has hiked its dividend for a very impressive 44 straight years, while Fortis has increased its dividend every year for the last 42 years, giving both companies a yield of just under 4%.

With their focus on optimizing and expanding their businesses, I expect to see earnings continue to grow over the long term, which should translate into further dividend hikes.

### So what?

The depressed levels of the TSX are good news for long-term investors. It provides an opportunity to take advantage of weak valuations and pick up some quality stocks that have long histories of rewarding investors with regular dividend payments.

You only need to look at the global financial crisis to see how effective it can be to invest in a bear market. Had you acquired Bank of Nova Scotia at that time (when the majority of investors were shunning banks) and held on till today to that investment, you would have almost doubled your money.

### CATEGORY

1. Dividend Stocks
2. Investing

### TICKERS GLOBAL

1. NYSE:BNS (The Bank of Nova Scotia)
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### Date

2025/08/27

### Date Created

2016/02/03

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