The Toronto Stock Exchange Is Near All-Time Highs: What Do You Do Now?

Description

The Toronto Stock Exchange recently reached a new-all time high, topping the 16,000 mark for the first time in its history.

Canada's largest stock exchange is up just 3.3% so far in 2017, which isn't a lot to fuss about, but, perhaps more to the point, the market has begun to accelerate since the start of September largely due to higher oil prices and a hot energy sector.

Oil recently hit a new high, closing above US$55 for the first time in two years. And since September, the **Energy Select Sector SPDR (ETF)** (NYSEARCA:XLE), which tracks companies in the energy sector, is up 10.5%.

The Canadian market, which is largely driven by energy and mining companies, has followed suit.

Stocks such as **Baytex Energy Corp.** (TSX:BTE)(NYSE:BTE) and **Crescent Point Energy Corp.** (TSX:CPG)(NYSE:CPG) have outperformed with respective gains of 22.4% and 10.9% last week.

Yet beyond the energy sector, Canada is still, for the most part, plagued by the "lower for longer" mentality.

Canada's GDP clocked in at just 1.1% growth annually as of July.

Returns on most, if not all, asset classes are near all-time lows without much reason to believe that is going to change anytime soon.

The meagreness of Canada's underlying economy naturally has the Bank of Canada taking a conservative approach to interest rate increases, so as to avoid plunging the country into a recession.

And while lower interest rates should have the desired effect of fueling economic expansion, investors need to take note that the current path for interest rates is to a higher ground, not lower.

Higher rates, if realized, would be expected to dampen consumer spending, which could have knockon effects on companies such as **Air Canada** (TSX:AC)(TSX:AC.B) and **Magna International Inc.** (TSX:MG)(NYSE:MGA), for example.

What should you do?

In situations like this, a disciplined portfolio-management approach would dictate taking some off the top or trimming positions that have run up the most during the current bull run.

Winners can be realized and converted into cash that can be used on the next market pullback, which is an ultimate inevitability.

Meanwhile, investments that have underperformed during the year can also be sold to realize capital losses that can be used to offset capital gains.

While there is certainly no reason or evidence to make anyone believe we are on the verge of a market collapse, investors who find themselves tossing and turning at night at the thought of what could happen in a worst-case scenario may want to favour secure companies whose performance isn't so directly tied to the underlying economy.

Consumer staples company **Saputo Inc.** (TSX:SAP) or seniors property manager **Sienna Senior Living Inc.** (TSX:SIA) would fit the bill well here.

Bottom line

Even seasoned investors will tell you that trying to "time the market" is a futile exercise, so there's really no need to fret, necessarily, about the currently elevated levels of the Canadian markets.

Rather, Foolish investors will do well to forge ahead, buying high-quality companies that they believe will be far bigger 10 years from today.

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