



3 Reasons Canada May Be Going Into a Recession

Description

After an exciting year in which many adventurous investors became very wealthy through new and exciting sectors, such as marijuana and cryptocurrency, many who did not take the risk of an [unproven sector](#) have not done as well throughout the year. Throughout 2017, the Toronto Stock Exchange increased by less than 6% as the things started to cool down — enough that there are now signs of a recession on the horizon.

The first sign is the top-line price of housing, which has finally seen month-over-month declines instead of the traditional increases. For a long time, housing seemed to go higher and higher each month. After many years of demand outpacing supply, the tide may finally be turning on a bigger scale, as interest rates begin to rise, and the cost of new construction continues to increase.

For investors who are not familiar with economic indicators, home building, which keeps many employed throughout the building process in addition to others in neighboring industries, has a huge effect on the overall growth of the economy. As an example, shares of **Bird Construction Inc.** ([TSX:BDT](#)) have increased by close to 10% over the past year, as the company continues to perform very well. An increase in new construction is also a sign of an expanding economy, as many feel more confident about their abilities to purchase and service the mortgage on a new home.

The second contributing factor to a potential recession will be the cost of oil. Although high oil prices are good for Canadians in Alberta, it may actually have a crippling effect on the rest of the country. After several months of higher interest rates and fixed-rate mortgages rolling over at these higher rates, the additional cost of filling the gas tank each week may just be the straw that breaks the camel's back. For investors looking to benefit from these higher prices, however, shares of **Suncor Energy Inc.** ([TSX:SU](#))([NYSE:SU](#)) may be the best bet, as the company is one of Canada's most efficient integrated oil producers.

The third factor that may be signaling that a recession is on the horizon is the record-low unemployment rate. Although many think this is good for the stock market, the reality is that this can actually have a horrific effect, since the demand for goods and services traditionally outpaces the supply for goods and services during these boom times. Furthermore, the expectations of higher

corporate profits continue to rise each quarter in spite of the absence of qualified workers and a lack of overall capacity to produce what needs to be sold. Expectations are simply too high that they cannot be met.

Many investors rarely leave the market to hold cash, instead preferring to move their money into more [defensive names](#) in addition to Canada's insurance companies, as the market begins to price in more bad news. There is always a place to hide.

CATEGORY

1. Dividend Stocks
2. Investing

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