



Is 2018 the Year to Invest in Canada?

Description

The **S&P/TSX Composite Index** (TSX: ^OSPTX), while still up ~5% over the past year, has lagged behind many other global indices, most notably the **S&P 500**, which has surged nearly 20% over the same time span. There's a tonne of household debt, and some pundits fear a Canadian housing crisis may reveal its ugly face in 2018, which could be [bad news for Canada's big banks](#).

I, for one, am not concerned about the effects of a frothy Canadian housing market and the potential impact on the Big Five banks. I believe Canada's banks are more robust than many give them credit for. In the new year, I'll continue to recommend the Canadian banks with a meaningful growth channel in the U.S. markets, like **Toronto-Dominion Bank** ([TSX:TD](#))([NYSE:TD](#)).

While there are still many concerns that could continue to drag down Canadian stocks in the new year, I believe most of these issues are already baked in. The Canadian index has already underperformed many global indices in the last few years. Dirt-cheap commodity stocks could be slated for a [huge rebound](#) in the new year, which could cause foreign investors begin to warm up to the Canadian markets again.

In addition, the U.S. markets are becoming overbought, and many pundits are fearful of a correction, because U.S. stock valuations are the highest they've been in a ridiculously long time. President Trump believes that a recession won't happen during his mandate, and if he gets two terms, that's another seven years of huge gains, as the bull continues to roar in the late stage of its life cycle. While I think Trump and his pro-growth agenda will give stocks a boost, investors should exercise caution as U.S. stock valuations continue to overstretch.

The U.S. surge has been led by high-flying tech stocks, but as we saw earlier in December, a growth-to-value rotation may be what the markets really need in the new year. I believe such a rotation could be triggered by a Bitcoin bubble pop, which would cause investors to flee from speculative overvalued names like **Shopify Inc.** ([TSX:SHOP](#))([NYSE:SHOP](#)) and into good, old-fashioned value stocks that many investors may have forgotten about in the midst of the euphoria.

If a growth-to-value rotation occurs, many American investors may begin heading north of the border

for better deals on stocks. Value plays are becoming few and far between in the U.S. markets, but in Canada, there are a tonne of beaten-up names that could be ripe for lift-off.

Bottom line

The 2018 story for Canada may be less about housing and more about a commodity rebound. If that's the case, the Canadian index could start to make up for lost time after years of underperformance versus global indices.

Stay hungry. Stay Foolish.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:SHOP (Shopify Inc.)
2. NYSE:TD (The Toronto-Dominion Bank)
3. TSX:SHOP (Shopify Inc.)
4. TSX:TD (The Toronto-Dominion Bank)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Investing

Date

2025/08/19

Date Created

2017/12/28

Author

joefrenette

default watermark

default watermark