



The Real Reason the TSX Is Hurting Your Retirement

Description

For the record, I write about both Canadian and U.S. stocks almost in equal proportions. As a Canadian, you would think that I favour stocks trading on the TSX, but that is the furthest thing from the truth.

In my opinion, the TSX is hurting your retirement. Here's why.

When **Lululemon Athletica Inc.** dropped its TSX listing to trade solely on NASDAQ, I welcomed the news.

Who wants to be included in a merchandising category that totals just a handful of stocks — that's after the recent IPOs of **Aritzia Inc.**, **Canada Goose Holdings Inc.** and **Roots Corp.** bulked up apparel retail on the TSX — that generate woefully low trading volumes?

It just didn't make sense for the company to keep its listing, and I would guess you'll see more companies drop the dual listing in the next couple of years as lower tax rates make it far better to move operations, where possible, south of the border.

Those issues aside, the TSX composite continues to underperform its U.S. peers so far in 2018, which would likely act as a headwind to Lululemon stock were it still listed in Canada.

Canadian investors left behind

Recently, the *Globe and Mail's* Tim Shufelt explained why Canadian investors are being left out of out of one of history's great bull market runs.

"Coming off what was a banner year for American stocks, share prices have since gathered even more speed, taking indexes deeper into record territory and stoking fears of a valuation bubble," Shufelt wrote January 16. "Canadian stocks can't seem to catch that same fire, as the early results in 2018 closely resemble the year just past, with domestic performance badly lagging state-side counterparts."

The **iShares S&P/TSX Capped Composite Index Fund** ([TSX:XIC](#)) gained 9% in 2017 compared to

27% for the **BMO Dow Jones Industrial Average Hedged to CAD Index ETF** ([TSX:ZDJ](#)). Year to date, ZDJ is up more than 4% versus less than 1% for the XIC.

It gets even worse if we go all the way back to ZDJ's inception in May 2009. A \$10,000 investment in the ZDJ on May 29, 2009, is worth approximately \$34,000 today, more than double the \$16,000 you'd have for the XIC.

Now, before you pull out your 100-year chart illustrating all the 10-year rolling periods where the TSX outperformed the Dow, let me just say that my disdain for the TSX has little to do with performance and everything to do with lack of diversity in the kinds of companies listed on the TSX.

Consider this.

My [picks](#) for the five best stocks on the TSX are **Brookfield Asset Management Inc.** ([TSX:BAM.A](#)) ([NYSE:BAM](#)), **New Flyer Industries Inc.** ([TSX:NFI](#)), **Premium Brands Holdings Corp.** ([TSX:PBH](#)), **Tricon Capital Group Inc.** ([TSX:TCN](#)), and **Alimentation Couche-Tard Inc.** ([TSX:ATD.B](#)).

Brookfield is part of the services sector. There is a total of 76 securities in this sector trading on the TSX, including common shares, preferred shares, and unit shares. On the NYSE, there are 244 common stocks from the services sector available, all with a market cap of \$1.3 billion or higher.

That's three times as many options, and that's just one example. If you believe that, the markets in the U.S. are rigged so the institutions win — what's that say about the regular investor's chances here in Canada?

Bottom line on TSX

I don't think there's any doubt far more Canadians would be investing in U.S. stocks if it weren't for the currency issue.

Yes, you can buy hedged ETFs and by all means, do, but if you consider yourself a bit of a stock whisperer, the TSX puts you at a severe disadvantage to your average retail investor just across the U.S. border in places like Buffalo and Detroit.

And don't even get me started on Canada's [IPO market](#), which heated up in 2017, but still leaves a lot to be desired compared to the U.S., which has also experienced a slowdown in IPO activity in recent years.

Perhaps saying the TSX is for losers is harsh, but if you place your faith in this exchange only, your retirement is going to look a lot gloomier.

CATEGORY

1. Investing

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. NYSE:BN (Brookfield Corporation)
2. NYSE:GOOS (Canada Goose)
3. TSX:ATZ (Aritzia Inc.)
4. TSX:BN (Brookfield)
5. TSX:GOOS (Canada Goose)
6. TSX:NFI (NFI Group)
7. TSX:PBH (Premium Brands Holdings Corporation)
8. TSX:ROOT (Roots Corporation)
9. TSX:TCN (Tricon Residential Inc.)
10. TSX:XIC (iShares Core S&P/TSX Capped Composite Index ETF)

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