



There's More to Canadian Stocks Than the S&P/TSX Composite Index

Description

There are about 1,500 stocks on the Toronto Stock Exchange. The biggest (and most popular) 250 or so stocks make up the **S&P/TSX Composite Index**, or the TSX index for short. In fact, these 250 stocks are so big that they make up around 70% of total market capitalization on the TSX.

The received wisdom is that pretty much every mainstream stock worth trading on the TSX is included in the S&P/TSX Composite Index, and new investors are usually steered in this direction. However, here's why it might be worth your while to know what kinds of Canadian stocks lie outside the TSX index, how you as an investor can benefit from them, and [which kinds of stocks to look at](#) if you do want to stick to the biggest 250.

What about the other 1,250 Canadian stocks?

Because most of the stocks Canadian investors know and love are included in the S&P/TSX Composite Index, the index sometimes gets used as shorthand for the whole Toronto Stock Exchange itself. This can be misleading, and it doesn't help that most of the stocks listed in Canada get overlooked by the mainstream press.

As you know, most stocks do different things, and which ones you buy and sell will depend on what your investment style is. Popular stock picks tend to be long-term defensive dividend payers, while growth investing is also popular. But there is much speculative trading to be had among the roughly 1,250 Canadian stocks outside the S&P/TSX Composite Index.

Take gold mining junior **Continental Gold Inc.** (TSX:CNL) or **Forsys Metal Corp.** ([TSX:FSY](#)) for example. Both offer exposure to Canadian metals, but neither is part of the S&P/TSX Composite Index. Likewise, food chain **Freshii Inc.** ([TSX:FRII](#)) is an "outsider" growth stock that looks like it could really take off in the mid to long term.

Now, let's take a look at representative stocks on the S&P/TSX Composite Index.

Representin' the 6ix!

The Big Six, that is — AKA the top six banking institutions in Canada. As you may have guessed, they're all a big deal on the TSX index.

If you're going to stick to the S&P/TSX Composite Index, you will almost certainly be looking to buy financials. **Toronto-Dominion Bank** ([TSX:TD](#))([NYSE:TD](#)) is arguably the most defensive stock right now on the TSX index *period*. Whether or not you agree, TD Bank has recently overtaken the top spot as [Canada's premier banking stock](#).

But there's more to the S&P/TSX Composite Index than financials. Energy is the second-largest sector on the index and a popular choice for dividend and defensive investors. **Enbridge Inc.** ([TSX:ENB](#))([NYSE:ENB](#)) is your representative energy stock. Along with financials, which dominate the Canadian investing, energy stocks are a staple diet for home-grown investors.

Materials are then the third-biggest slice of the TSX index. A good representative stock (though not the most obvious) would be **Methanex Corp.** ([TSX:MX](#))([NASDAQ:MEOH](#)), while e-commerce superstar **Shopify Inc.** ([TSX:SHOP](#))([NYSE:SHOP](#)) has got the information technology sector covered pretty much all by itself.

The bottom line

There are Canadian investment opportunities to be had beyond the S&P/TSX Composite Index. There are also some big international markets to dabble in, most notably the NYSE and the NASDAQ. But what makes Canadian investment so unique is its array of lesser-known stocks to pick and choose from. Here's hoping the full spectrum of stocks on the TSX gets its time in the sun once the global economy figures out what it's doing.

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TICKERS GLOBAL

1. NASDAQ:MEOH (Methanex Corporation)
2. NYSE:ENB (Enbridge Inc.)
3. NYSE:SHOP (Shopify Inc.)
4. NYSE:TD (The Toronto-Dominion Bank)
5. TSX:ENB (Enbridge Inc.)
6. TSX:FRII (Freshii)
7. TSX:MX (Methanex Corporation)
8. TSX:SHOP (Shopify Inc.)
9. TSX:TD (The Toronto-Dominion Bank)

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