5 Reasons to Stay Bullish and Love the TSX

Description

Are stock market commentators being too hasty with all this talk of recession and bear markets? Perhaps. The fact is that some analysts are saying that the TSX actually isn't doing that badly! Here are five reasons to be (warily) cheerful about Canadian stocks right now.

Canada's year-on-year stock market returns aren't bad at all

Let's compare our own economy with the rest of the G7 and see how our year-on-year stock market returns match up. While Australia has had a good 12-month period with 4.8% growth, the U.S. enjoyed a slightly lower increase of 2.8%. France did well, with 2.0%, narrowly beating Canada's 1.8%. The U.K. grew buy a disappointing 0.2%, barely higher than ailing Italy's 0.1%.

Meanwhile, Japan's economy contracted by -1.0%. That's still fairly good, however, when you compare it to Germany's worrying drop of -5.3%. If you want an idea of just how alarming that figure is, compare it to embattled South Korea's nosedive of -6.6%. All told, Canada's year-on-year returns aren't too shabby.

The S&P/TSX Composite Index had a great second quarter

The TSX rallied in the second three-month period of 2018, gaining 6% and exceeding expectations. If things continue in that vein, the Canadian stock market is in for a good year. Indeed, some analysts are actually predicting 8%, which would be a significant boon should it materialize.

NAFTA negotiations may be positive – and pipelines may get approved

Yes, it's looking unlikely that those pipelines get approved, but if they went ahead, it would be a real boost to the Canadian economy: more a lifeline than a pipeline.

And while NAFTA renegotiations may likewise seem something of a pipedream (no pun intended), Mexico's new president seems keen to push ahead with them. Should the U.S. continue to leave us hanging, it's reassuring to know that our *other* North American cousins are eager to push the agenda.

A softening housing market might boost consumer spending

Toronto has seen a burst of house sales recently, up somewhere near 17%, signaling a softer housing market. At least, that's the picture in Ontario. If the rest of the country were to follow suit, talk of real estate bubbles and knock-on recessions would fizzle out.

Strategists are betting on energy and technology

Could the TSX match – or even beat – last year's 6% rise? It's possible. Buoyed by tech and energy stocks, the TSX could see a bull run later in the year, which would go a long way to offsetting a downturn.

Shares in **STEP Energy Services Ltd.** (TSX:STEP) and **Enerflex Ltd.** (TSX:EFX) are looking tasty right now, and could benefit from an upturn in the energy market, while Canadian commodities such as cobalt, gold, and lithium should see some upside from a booming tech sector.

The bottom line

What if the doomsayers have it all wrong? If the five positives listed above hold true, then the Canadian stock market could be in for a well-deserved bull run.

Honestly, though, things are looking rough. Ron Paul this week signaled fear in the U.S. markets and predicted a 50% stock sell-off ahead of "the biggest bubble in the history of mankind." Strong words indeed. Before you settle on a decisive yes or no on whether to get out or stay invested, do a sweep of any dead wood you might be holding and trust your instincts.

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