2018 Has Been a Brutal Year for Stocks: Here's Why 2019 Could Be Even Worse

Description

The TSX was off to a decent start for 2018, but the finish has been downright abysmal. Entering trading on Thursday, the TSX was at less than 14,000 and in real danger of finishing more than 2,000 points down from where it started the year. Many stocks have been down significantly. While there are good buys on the markets today, there isn't much reason to expect things to get better next year.

I wasn't terribly excited about 2018's prospects, but things didn't turn out nearly as badly as I expected, with multiple rate hikes during the year. However, there are some significant headwinds facing the country that could send stocks spiraling down even further.

Many risks ahead

The first danger is the U.S. economy and the possibility that impeachment proceedings could take place at some point during the year. As much as we may not like to admit it, a turbulent U.S. market is not good news for Canadian stocks, especially those that are dependent on the U.S. economy. That's also likely a reason why Canadian markets have struggled in 2018 as the **Dow Jones** and TSX have followed similar paths over the past 12 months, although the Dow has incurred smaller losses along the way.

Another reason is the troubling oil and gas industry, which continues to struggle and remains a long ways away from where it was several years ago. With oil prices back on the decline, there's more pessimism surrounding oil and gas stocks, and without progress in that area, we could see even more bearish activity.

Finally, the housing market is another area that could see a big correction, as soaring house prices along with rising interest rates could spell disaster for the country and create a lot of instability in the markets.

Any one of these issues could be enough to cause trouble for the TSX in 2019, while more than one would be catastrophic.

What should investors do?

One of the safest stocks you can choose to invest in is **Toronto-Dominion Bank** (TSX:TD)(NYSE:TD). While the bank stock might seem like a boring pick, it's likely to bounce back with the economy along any rides that it takes, and it has typically outperformed the TSX as well.

While rising interest rates might cause stress on the economy, TD will be one stock that will at least see some benefit, as it will be able to profit from higher spreads and greater interest income.

The stock also has less downside risk than others on the market, as it currently trades at very modest multiples. Currently, its price-to-earnings multiple is around 11, and it's also trading at a modest 1.6 times its book value. TD is around its low for the past 52 weeks and could already be due for a recovery .

Nonetheless, even if times are still tough, investors can at least earn some cash flow from TD's solid dividend, which currently pays around 4% per year. The growing yield will help to compensate investors for waiting and holding onto the stock.

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