
2 Stocks That Will Be Barometres for the TSX in 2019

## Description

The S&P/TSX Composite Index was down 74 points in early afternoon trading on January 2. Canadian investors will be hoping for a recovery in 2019 after the index suffered a double-digit loss in 2018. The final months of last year were damaging as a global stock sell-off heavily impacted financials and the energy sector.



The significant drop in active oil rigs in Canada will pose problems for an energy sector that was already on the ropes for much of 2018. Alberta premier Rachel Notley announced a production cut back in December to drive up the price of Western Canadian Select. The cut drove up prices, but protests have now engulfed the province as thousands have been driven out of work.

With the energy sector facing steep challenges in 2019, it will likely be up to financials to pick up the slack. Today we are going to look at the two heaviest-weighted stocks on the TSX and the two largest financial institutions in Canada. Should investors expect a positive year? Let's dive in.

## Toronto-Dominion Bank (TSX:TD)(NYSE:TD)

TD stock dropped 7% in 2018. Shares were up 0.78% in early afternoon trading on January 2. It was a roller-coaster year in 2018, with TD rising to all-time highs in late September before succumbing to the worst stock market sell-off since the financial crisis.

For the full year in 2018 TD reported adjusted diluted earnings per share of $6.47 compared to $5.54 in the prior year. Adjusted net income climbed to $12.18 billion over $10.58 billion in 2017. TD's U.S. business powered its growth in 2018, but growth south of the border is expected to slow in 2019, especially as the benefits of U.S. tax reform dissipate.

TD will be more reliant on resilience in the overall Canadian economy in 2019. Rising rates and high household debt will put the bank and its stock to the test.

# Royal Bank of Canada (TSX:RY)(NYSE:RY)

Royal Bank stock fell 8.9% in 2018. Shares were up marginally in early afternoon trading on January 2. Royal Bank reached an all-time high in mid-January last year and suffered a steady decline in the latter half of 2018.

For the full year in 2018, Royal Bank reported record net income of $12.4 billion and 11% year-over-year growth in diluted earnings per share to $8.36. Royal Bank realized its best performance in its Wealth Management segment, where it posted 23% earnings growth on the back of growth in average fee-based client assets. It also benefitted from a lower effect tax rate in its U.S. business due to tax reform.

There were several bright spots in the fourth quarter, namely growth in Personal and Commercial Banking. Royal Bank reported good growth in residential mortgages even as home sales have slumped in Canada after the introduction of stiffer regulations in 2017 and early 2018. The bank's impressive performance across the board in Q4 is reason for optimism heading into 2019, and the stock is nicely priced in early January.

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**Date**
2025/08/18
**Date Created**
2019/01/02
**Author**
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