2 Ways Investors Can Prepare for 2020

Description

This decade has been a transformative one for the Canadian and global economy. Investors entered 2010 on the heels of the worst financial crisis since the Great Depression. Those who kept their faith in the markets have enjoyed one of the longest bull-runs in the modern era.

Today I want to go over two ways investors can prepare for 2020.

Brace yourself for dovish central bank policy

In the middle of 2018, central banks around the developed world were forging ahead with rate tightening as global growth hit a new high since the financial crisis. This outlook shifted quickly after global stocks were routed in the final months of 2018.

The Bank of Canada and its peers in Europe and the United States did an about-face, and odds makers were suddenly rushing to bet on the next rate *cut*.

All signs point to a dovish path as we look ahead to 2020. Central banks are looking to combat slowing growth and trade war risks with easing monetary policy.

Policymakers hope that this strategy will stave off slumping growth and boost investor confidence. In this environment, banks are an attractive target.

Royal Bank (TSX:RY)(NYSE:RY) is the largest financial institution in Canada. Banks have historically performed well during periods of monetary easing.

Recent reports indicate that the Bank of Canada is determined to hold off on cutting rates until at least 2020, but it does appear to be committed to a more dovish path going forward.

Shares of Royal Bank have boasted average annual returns of 10% over the past decade. Royal Bank and its peers have benefited from improved margins in the latest round of tightening, but the Big Banks will likely welcome a friendlier lending environment. This is especially true in a struggling Canadian housing market.

Stocks like Royal Bank offer nice balance as we head into the next decade, and Canada's top banks are all well diversified. The bank last bumped up its quarterly dividend to $1.02 per share, which represents a solid 3.9% yield at the time of this writing.

Higher growth in 2020 and 2021

Yes, central banks are shifting policy in response to slower global growth. Canada is one country which is expected to experience an economic rebound in the beginning of the next decade.

The heavily weighted energy sector has struggled in late 2018 and early 2019 due to an oil price drop, and Canada's housing market is still adjusting to new regulations. Canada is expected to post GDP growth of only 1.5% in 2019.

Fortunately, the economy is projected to post growth of 1.9% or higher in 2020. This is according to the International Monetary Fund (IMF). Stabilization in the energy sector and improved business investment are expected to lead to higher growth.

Canadian markets may be broadly undervalued when we take this projected rebound into consideration. Any disappointments on the growth front will increase the likelihood that the first factor cited in this article will come into play.

CATEGORY

1. Bank Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:RY (Royal Bank of Canada)
2. TSX:RY (Royal Bank of Canada)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Bank Stocks
2. Investing

Date
2025/09/09
Date Created
2019/07/21
Author

aocallaghan