



How to Make Money in the Stock Market

Description

To make money in the stock market, simply buy outperformers, add to your winners, and be patient.

Buy outperformers

The last financial crisis crippled investors' confidence in the global banking systems and financial institutions, but the top Canadian banks proved to be at the forefront of the soundest banks.

Among the best Canadian banks, **Toronto-Dominion Bank** ([TSX:TD](#))([NYSE:TD](#)) came out at the top for delivering the highest earnings growth from the pre-crisis levels to now.

TD stock's dividend growth is also one of the best. Since fiscal 2007, it has delivered solid dividend growth at a compound annual growth rate of 8.7%.

Today, TD Bank enjoys the highest net margin and the highest expected earnings growth going forward compared to its peers. This means that the bank will likely continue to [outperform](#).

At about \$77 per share, TD Bank trades at a reasonable valuation, offers a decent dividend yield of 3.8%, and is expected to grow its earnings by more than 7% per year. This equates to fabulous long-term annualized returns of 11% or higher.



Add to your winners

The stock market bids up stocks for good reason. If a [stock appreciates dependably](#), the underlying business must be doing something right.

For example, **Fortis** ([TSX:FTS](#))([NYSE:FTS](#)) consistently trades at a premium multiple. Its long-term normal price-to-earnings ratio (P/E) is about 19.4, while most stocks trade at a fair P/E of about 15. Higher-quality or higher-growth stocks tend to trade at higher multiples.

Fortis is a very safe business to invest in for its diversity and regulated nature. It has 10 utilities with regulated electric, gas, and electric transmission assets that deliver very predictable returns.

Additionally, it earns about 65% of its earnings from the United States and gets a nice earnings boost when the U.S. dollar is strong against the Canadian dollar.

Fortis has a solid \$17.3 billion capital plan through 2023, which supports rate base growth of 6-7% and dividend growth of about 6% per year.

The stock will carry on being a winner for long-term investors. For starters, the quality utility offers a secure yield of about 3.5%.

Foolish takeaway

To make money in the stock market, buy outperformers and add to your winners when they're trading at good valuations. Then simply hold the stocks and watch your dividend income and investments grow for the long haul.

Sometimes, it means waiting for market corrections to buy stocks on the cheap. Between TD and Fortis, TD is a better buy today from a valuation standpoint. So, wait for a dip in Fortis stock before buying.

CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Investing

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TICKERS GLOBAL

1. NYSE:FTS (Fortis Inc.)
2. NYSE:TD (The Toronto-Dominion Bank)
3. TSX:FTS (Fortis Inc.)
4. TSX:TD (The Toronto-Dominion Bank)

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