
2 TSX Index Stocks to Buy as the Fed Cuts Interest Rates

### Description

In case you haven't been tuned in over the past few months, the Fed and rate cuts have been the talk of the town. Tune into any financial network, and you're bound to hear pundits discussing whether they think Fed chair Jerome Powell will cut rates by 25 basis points, 50 basis points, or leave rates unchanged, their odds for each event, what the reaction will be, and all the sort.



Indeed, everybody is trying figure out what Powell is thinking, whether he realizes he made a mistake by hiking rates too fast, too soon, and if dovish commentary and guidance will ensue his much-anticipated 25-basis-point rate cut.

The two arguments are that three 25-basis-point rate cuts are baked into the market, and anything short would cause some sort of correction. A 50-basis-point cut at any point may make some worry that something's seriously not right with the U.S. economy. Right now, the Fed is dictating the trajectory of the market, and the less predictable Powell is, the less likely this market will continue roaring higher.

As U.S. rates head lower, the Bank of Canada may have no choice but to put the rate-hike button back in the closet for the medium term.

In any case, most would agree that U.S. (and potentially Canadian) rates are going down, and the following two Canadian stocks will benefit.

## Alimentation Couche-Tard

**Alimentation Couche-Tard** (TSX:ATD.B) is a convenience store (and EPS growth) kingpin that can't seem to do anything wrong. The company has a significant presence south of the border, and as interest rates move lower, the company will have the ability to borrow money to finance its ambitious growth plan that aims to double profitability in five years.

Couche-Tard is a big company, but it's been kicking butt and taking names, both organically and inorganically (through highly accretive acquisitions).

More rate cuts may lead to more borrowing, marginally lower borrowing costs, and will serve to amplify growth and profitability as management looks to pull the trigger on more deals while dipping its toes in the red-hot cannabis retail market through Fire & Flower.

## Brookfield Renewable Partners

**Brookfield Renewable Partners** (TSX:BEP.UN)(NYSE:BEP) is my favourite Canadian renewable energy play.

Not only are shares currently trading at absurdly low valuation multiples (a staggering 8.4 times EV/EBITDA), despite flirting with new all-time highs, lower interest rates will serve as a nice tailwind for the well-operated renewable powerhouse that's already enjoying the fruit that comes with being in an industry that's facing a secular uptrend.

Renewable energy projects are expensive to start up. High capital expenses with lower borrowing costs are a perfect combination for a soaring stock. Although rate cuts appear to be priced in, I think the name has far more room to run, as Brookfield continues going on the hunt for new cash flow-generative projects.



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