The TSX Index Is Up 15% in 2019: Investors Should Prepare for a Market Downturn

Description

It’s been a wild ride. Despite significant volatility, the **S&P/TSX Composite Index** has posted gains of approximately 15% in 2019. There are indications however, that investors should be preparing for a market downturn.

For starters, the majority of the gains posted by the **TSX** came in the first half of the year. In the past quarter, the TSX **Index** is down 1.26%. It eked out a o.14% gain in September and through the first part of October, it has lost 1.70% of its value.

There is a clear shift in investor sentiment as the economic outlook remains unclear. The U.S. and China have yet to come to terms on a trade deal, the GM Strike is have a big effect on manufacturing stocks, gold appears to have topped after a big upswing, interest rates are trending downward and the price of oil is under pressure. As you can see, there are plenty of headwinds facing investors.

We live in unprecedented times whereby a single tweet can result in more than a 100 basis point move in the markets. It’s for this reason that investors would do well to prepare their portfolio to withstand a market downturn.

The best way to withstand a downtown? Stick with stocks that are industry leaders and are considered defensive in nature.

Canadian National Railway

There exists a duopoly in the Canadian rail industry and **Canadian National Railway** (TSX:CNR)(NYSE:CNI) is the largest player in the country. CN rail is poised to benefit from lower interest rates, as it will result in lower borrowing costs. This is especially true when one considers that the company is spending a considerable amount on capital expenditures.

It has committed to purchasing billions worth of new rail cars and is overhauling its rail system in Western Canada. It’s also the only rail company that’s a Canadian Dividend Aristocrat. At 24-years and counting, it owns the 10th longest dividend growth streak in the country.

Now is also the perfect time to start a position. This past week, the company entered into oversold territory with a 14-day **Relative Strength Index** of 28. An RSI under 30 is a technical sign that the company's stock is oversold and may be due for a short-term bounce.

The last time CN Rail entered oversold territory was in December of 2018, when its stock price dipped below $100 per share. What followed? A five-month uptrend in which the stock hit 52-week highs near $130 per share.

Fortis

Much like CN Rail, **Fortis** (TSX:FTS)(NYSE:FTS) operates in a capital intensive industry, and as such will benefit from a prolonged period of low interest rates. However, as a utility company, it's not as dependent on a booming economy for growth.

Consumers need electricity regardless of economic condition, as utilities are some of the best defensive stocks in the industry. Fortis stands out among its peers as one of the most reliable performers.

Over the past five years, it's averaged 12.4% annual growth and its strong performance has been accelerating. In 2019, Fortis' stock price has jumped by approximately 25% and this outperformance is reflective of the volatile markets.

At 46 years, it owns the second longest dividend growth streak in the country and currently yields an attractive 3.41%. Through 2022, the company expects to raise its dividend by an average rate of 6% annually.

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Date
2025/08/25
Date Created
2019/10/09
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