



Canadians Can Profit From TSX Oligopoly Stocks in a Market Crash

Description

The stock market may have its risks, but Canadian investors are lucky in that they have plenty of [high-margin oligopolies](#) in which to buy stock.

Oligopolies are great for investors

There have been numerous opportunities to cash in on rock-solid long-term investments since the early 1990s. Finance columns are recommending to shareholders stocks that have very little competition on the TSX, like oligopolies.

My Econ professor in college once told me something similar. He said, "If you want to start a business, then you want to start a monopoly." Like monopolies, oligopolies often result in higher-profit potential for insiders and shareholders.

Investing in these oligopolies is one way to achieve alpha-level returns on the TSX.

Banks are stable dividend oligopolies

I did a search for TSX stocks with high pre-tax profit margins. **Toronto-Dominion Bank** and **Royal Bank of Canada** were at the top of the list for frequently traded, high-margin stocks.

Pre-tax profit margins are a great way to identify industries characterized by a lack of competition. In perfect competition, new entrants would distribute lower-priced products, diminishing the profit margins of competing firms as they engage in price competition.

Oligopolistic markets are typically a less-ideal situation for consumers because consumers pay higher prices than what they would need to pay in a perfectly competitive industry. However, oligopolies are great for investors in both fixed-income and stock assets.

Give yourself a discount with dividends

Canadian consumers should then see what they can do to invest in the companies they patronize. These savvy investors can then look at their dividend payments as discounts.

Got a loan with Royal Bank of Canada? Take some of the profit it's making from you by investing in the company's stock and collect on the 3.92% dividend. Getting into fixed income would not be a bad idea either. Brokerage firms typically allow access to new issuances. Start marking them on your calendar.

Maybe next time you look at the interest Toronto-Dominion Bank charged you on your revolving credit card balance, you will decide to sock a little of your Tax-Free-Savings Account funds into TD Bank stock.

Investing in what you consume is one way to never feel guilty about another purchase again. You can also invest in what you know. It may be difficult for a shareholder to understand an energy stock without working in energy.

If you smoke marijuana and prefer [Seth Rogen's new brand](#), Houseplant, maybe you would do well to invest in **Canopy Growth**. This strategy allows you to judge the quality of the product or service — and helps you factor in consumer trends into your investing habits.

Investors have their complaints about the TSX

- Lower volume is traded out of what otherwise may be good investment opportunities.
- Lack of diverse industries to create a truly diversified retirement portfolio.
- Canada's export investments are highly reliant on natural resources and oil.

Despite all this, the Toronto Stock Exchange is truly a great way to build wealth. Canadians, in particular, are advantaged because they have more tax-free options to build wealth than many other developed nations.

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