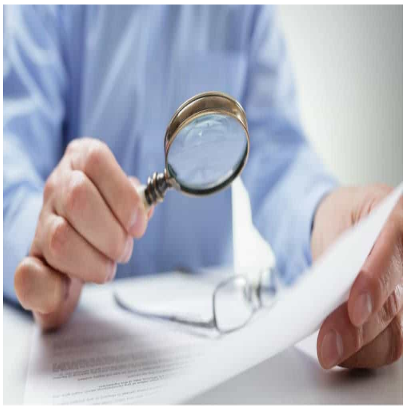

3 Reasons Your U.S.-Linked Stocks Will (Probably) Be Okay

Description

As our biggest trade partner, it makes sense that Canadian investors would want to keep an eye on how the economy is doing down there. With so many facets of our own economy tied with the U.S., talk of an American recession has introduced fresh uncertainty into the markets over the past year. However, there are at least three reasons why TSX investors might not have to fear a U.S. correction just yet.

North American stock markets are stable

One of the most obvious signs that a recession is imminent is a stock market decline. Before the 2001 and 2008 downturns, equity markets took a tumble. Sometimes the decline isn't that deep, such as the 2001 dip, or it can be intense like the crash that preceded the financial crisis of a decade ago. However, investors should be buoyed by the fact that the S&P 500 Index just beat its 12-month high.

The U.S. house market is strong

Anybody keeping an eye of the homebuilding environment south of the border will know that that the sector came back stronger in October while numbers of building permits have also broken their year-long record. With decreased lending rates thrown into the mix, the U.S. housing market is looking solid. Both new builds and permits traditionally dip before a market correction.

Unemployment is low

It's not a new idea: unemployment and new claims usually rise before a recession, as one might expect. So why should investors not start selling their riskier stocks just yet? The U.S. unemployment rate is low right now – in fact, it's in the region of a half-century low. However, this rate is one of the key things to keep an eye on, especially if the trade war between China and the U.S. deepens.

This Big Five stock thrives on U.S. growth

Stocks that have been enjoying a boost in revenue from their operations on the other side of the border include **Toronto-Dominion Bank** (TSX:TD)(NYSE:TD), which is currently on sale after posting a fairly grim recent quarter. With a lot of its new growth sourced stateside, the home of the green leather armchair is one of Bay Street's finest, and an enduringly popular choice for Big Five financials investors – apart from last week, when it dipped a few points.

Reasons to buy TD include a 4% yield and exposure to the online mega-brokerage formed by the merger of Charles Schwab and TD Ameritrade. Other discount stocks in the Big Five banking club include the likes of **CIBC**, also down a few percentage points. Paying a 5% yield, CIBC is the richest of Canada's top lenders in terms of passive income and value for money.

The bottom line

While the signals of a coming recession have been mounting through the year, there are a few key indicators that run counter to the narrative of an impending market correction led by our southern neighbour. Stocks like TD could expect to see growth continue in the New Year in the event that positive developments further diminish the chance of a market correction.

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