Year of the Rat: Will the Canadian Stock Market Crash in 2020?

Description

Chinese New Year is coming earlier this year, in late January instead of the usual early February. I'd like to wish an early Happy Chinese New Year to those who celebrate it!

On Saturday, we'll be rotating from the Year of the Pig to the Year of the Rat. In Chinese culture, rats are viewed as a sign of wealth and surplus perhaps because of their abundant offspring.

However, in 2008, the prior Year of the Rat, we know what happened – the subprime mortgage crisis in the U.S. triggered a financial crisis that rippled across the world, leading to recessions and stock market crashes.

Where the Canadian stock market stands today

Earlier this month, **National Bank of Canada** came out with a report stating that the Canadian stock market was trading at a forward price-to-earnings ratio of 15 versus 18.5 for the U.S. stock market – the largest discount since the 2001 U.S. recession.

The backdrop of the discount is that capital has outright left the Canadian oil patch. Certain energy stocks, including oil and gas producers and oil and gas equipment services companies, are largely trading at substantial discounts to cash flow. It's anyone's guess if and when they'll be able to attract global capital again.

Yet, the Canadian stock market has been hitting new heights, as other sectors carried a bigger weight. Too, specific energy stocks, like **TC Energy**, have done particularly well.

A winning approach to stock investing

With the Canadian stock market at an all-time high, I urge investors to combine top-down investing with bottom-up investing when selecting stocks to invest in.

Investopedia explains that "Top-down investing involves looking at big picture economic factors to make investment decisions, while bottom-up investing looks at company-specific fundamentals…"

Longer lifespan

A big-picture economic factor is people having a longer lifespan, leading to a greater global population of senior citizens. According to data compiled by the United Nations, the worldwide population that will be at least 60 years old will increase by 34% in 10 years, 65% in 20 years, and double in 30 years!

Careful stock selection

Investors can then select solid health care-related stocks to match the trend of an increasing aging population.

For income and long-term growth, you can consider **NorthWest Healthcare Properties REIT** (TSX:NWH.UN), which is a global health care REIT with 171 stable, income-generating properties throughout major markets in Canada, Brazil, Germany, Australia, and New Zealand.

NorthWest Healthcare has made strategic partnerships with some of the largest health care providers in key markets. Its top three tenants contribute about 40% of its rental income, while the top 10 contribute close to 52%.

Its assets outside of Canada improve the REIT's quality by having occupancies of close to 100% and lease expiries of about 15 years or longer.

This results in a reliable REIT that has a high portfolio occupancy rate of 97.1%, a long weighted average lease expiry of more than 13 years, and contracted cash flow that largely has indexed organic growth.

At writing, the REIT offers a yield of 6.6%, which is supported by a safe payout ratio of 87%. Long-term investors can start a position now and add to their positions strategically on dips.

Investor takeaway

It doesn't matter as much if the Canadian stock market will crash in 2020 when you've taken a combined top-down and bottom-up investing approach because you will have chosen to invest in the best companies that ride on key long-term trends.

CATEGORY

1. Dividend Stocks
2. Investing
3. Stocks for Beginners

TICKERS GLOBAL

1. TSX:NWH.UN (NorthWest Healthcare Properties Real Estate Investment Trust)

PARTNER-FEEDS

1. Business Insider
2. Msn
3. Newscred
4. Sharewise
5. Yahoo CA

Category

1. Dividend Stocks
2. Investing
3. Stocks for Beginners

Date
2025/07/30
Date Created
2020/01/23
Author
kayng