



## Want to Buy TSX Stocks? Look for These 3 Qualities

### Description

If you've been considering buying **TSX** stocks lately, that's certainly a wise idea. However, you may be wondering what to buy or what qualities to look for. Numerous TSX stocks are offering long-term investors incredible value at these prices.

And while buying TSX stocks undervalued is prudent, you can't just buy any stock because it's cheap. There are certain factors you'll need to look for to find the best investments. It's especially important because, in this environment, many stocks come with additional risk.

After all, stocks don't just sell off for no reason. Stocks lose value because investors believe that risk is heightened. Since risk is that much more defined in these circumstances, it's essential to make sure than any potential TSX stock you buy is as strong as can be.

To find the [best investments](#) possible, there are three main things you'll need to look out for.

### Industry economics and major competitive advantage

The first thing to look for when buying TSX stocks are businesses operating in growing industries. For example, the newspaper industry has been in decline for years, so although a newspaper stock could look [extremely cheap](#), the industry will likely continue to decline into the future.

As long-term investors, we assume that the TSX stocks will continue to grow for decades — the one prerequisite being that the companies operate in industries that will continue to grow. Otherwise, it will be next to impossible to expand operations amid a declining industry.

It's also essential to find companies with a strong competitive advantage in their industry, which ensures that you are buying the best-performing TSX stocks in each sector. That way, you can aim to maximize your returns.

## Find TSX stocks with strong management

The industry that the TSX stocks are in and their competitive advantage is only one factor, though, and will be useless without high-quality management running the company.

Management of the company is always important, especially when making plans for growth over the future.

Right now, however, management has never been more important, as the decisions made today can go a long way to determining a company's fate when we emerge from these shutdowns.

Managers will have to be conservative and ensure that they protect investors' capital. At the same time, however, this is a prime opportunity for TSX stocks to buy distressed assets selling below value, which could set up significant growth for years to come.

## TSX stocks with robust financials

One other thing that managers will have to do is make sure their companies have adequate financing. Many companies employ debt as a way to leverage their returns, so debt can be an essential factor in a company's growth.

However, even the best companies are susceptible to liquidity issues if they can't manage their finances adequately.

In such situations, where credit is high in demand, TSX stocks with significant short-term liquidity issues could be problematic for investors.

This makes a company's financial situation a major consideration before buying any stocks in this environment.

## Bottom line

It's crucial that any potential TSX stock you buy has all three qualities. If a company has strong industry economics, a dominant industry position, high-quality operations, and strong management, but it's heavily in debt, the shutdowns could force that business into bankruptcy.

A stock with healthy finances and a good industry position but poor management could make the wrong decisions in the short run that hurt long-run potential.

That's why it's crucial to find companies with all three factors. A perfect TSX stock to buy would be a company like **Canadian National Railway**. CNR operates in an industry that's crucial to the economy. Plus, the massive infrastructure it owns gives it a significant competitive advantage.

The company's management is known to be some of the best, which is why the business is so profitable. Finally, the company is in great financial shape, thanks in large part to it being a cash cow.

Many investors know that CNR is a top long-term stock, which is why its share price commands a premium. TSX stocks similar to CNR with these three qualities will be the best investments to buy for the long term.

## **CATEGORY**

1. Investing
2. Stocks for Beginners

## **PARTNER-FEEDS**

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

## **Category**

1. Investing
2. Stocks for Beginners

## **Date**

2025/08/28

## **Date Created**

2020/04/15

## **Author**

danieldacosta

default watermark

default watermark