TSX Investors: 2 Industries to Stay Far Away From

Description

The market crash in the month of March was one of the sharpest falls that TSX has ever seen. The market is seeing some of its wounds heal, but the recovery is slow. The S&P/TSX Composite Index is still over 22% down from its yearly high. In contrast, the S&P 500 is down 17% from its annual high. While some of the sectors have recovered swiftly (IT, materials, and consumer staples), others are weighing the TSX down.

Currently, the worst-performing industries, apart from the airlines, are energy and financials. The performance of the energy sector is consistently down because of two main factors: low demand and the Saudi-Russian oil war. The result is that the S&P/TSX High Income Energy Index (23 companies) and S&P/TSX Capped Energy Index (22 companies) are down by 52.5% and 60%, respectively, on a year-to-date basis.

The finance industry is also finding it hard to get traction back. The Big Five banks are all still down from their start-of-the-year market values by 22-33%. Other financial institutions aren't faring any better, as two of the "heaviest" industries on the TSX, energy and finance, are slowing down the recovery of the broader market.

The less-energetic energy sector

Among the top five energy companies, **TC Energy** (TSX:TRP)(NYSE:TRP) is the only one with a year-to-date share price depreciation of a single digit. At $62.6 per share, the company is trading at an 8.5% discount from its start of the year value. It's also a Dividend Aristocrat with 16 years of consistent payout increases and a payout growth rate of 43.3%.

TC Energy isn't a very generous growth stock. The company has grown its market value by about 32% in the past five years (before the crash). But it's a decent dividend stock, and its future prospects are looking a bit brighter, as the company is proceeding with one of its major expansion project: the Keystone XL pipeline.

It's important to understand that the country's energy sector is down, and you may want to be prudent with your investment picks in this particular industry. But if you have to choose one, TC Energy might be a good contender.

A poor financial sector

Canada's financial sector, even the mighty Big Five, has been struck hard by the pandemic. Most financial institutions are still trading far below their fair value, and the recovery is slow. But the king, **Royal Bank of Canada**, didn't fall as hard as others, and its recovery is faster than other banks.

Currently, RY is trading at $83.6 per share, 19% down from what it was trading at the beginning of the year. It's a Dividend Aristocrat as well and has increased its payouts for nine consecutive years. It's one of the few institutions that can be considered "too big to fail."

The bank looks like a relatively better pick if you look at the financial industry in general, but staying away from the industry might still be the smart thing to do.

Foolish takeaway

The conservative and most risk-averting strategy right now is to hold on to what you have, buy judiciously, and buy only what you understand. No one is truly sure whether the worst is behind us or not. If you think that the market crash will worsen, you may want to stay your hand from buying the dip, especially from the worst-hit industries of the TSX.

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