

Is Now a Good Time to Buy TSX Stocks?

Description

For many investors, you may be wondering whether it's a good time to buy **TSX** stocks.

The economy was shut down and stocks sold off in late February and early March. However, since that time, provinces and states in North America have begun to reopen — and the market has rebounded tremendously.

Perhaps you're interested in buying stocks today but aren't sure if it's a good time. Maybe you think you missed the bottom in March or that there might be another market crash.

Or maybe you feel that as provinces open up, stocks could be a buy.

So is this a good time to buy TSX stocks?

The answer is not so simple. For savvy investors, it's always a good time to buy stocks — what matters is the stocks you are buying.

When the market crashed in early March, although the broad index fell, not every stock on the TSX was down. Stocks such as **Jamieson Wellness** have done well since the start of the year. The reason for the outperformance is in large part because these stocks were hardly affected by the market crash.

Further, of the stocks that were down, there was a wide divergence in the degree of declines in different stocks. For example, a stock such as **Air Canada** was sold off by more than 75% initially, whereas major utilities stocks declined by only 25% before quickly bouncing back.

For investors who are forward-looking and focused on the long term, there are always stocks you can find that are worth an investment now.

In today's environment, it's all about finding highly resilient businesses at valuable prices. Two of the TSX stocks I'd recommend to investors today are **Newmont Corporation** (<u>TSX:NGT</u>)(<u>NYSE:NEM</u>)and **Hydro One Ltd** (<u>TSX:H</u>).

Leading TSX gold stock

Newmont Corporation is one of, if not *the* largest gold producers in the world. The environment for gold prices is creating substantial potential in TSX gold stocks.

Companies like Newmont that produce mass amounts of gold and have strong margins can expect to see a significant increase in profitability for the next while.

In the first quarter of 2020, Newmont has already earned free cash flow of more than \$600 million. This is a considerable amount of free cash flow for one quarter and will continue to increase as gold prices rise.

It's estimated that a \$100 increase in the price of gold would give Newmont a \$100 million bump in free cash flow every quarter.

Management has said that going forward, it expects to return half the free cash flow to investors while investing the rest back in the business. It's therefore no surprise that Newmont continues to increase the dividend. And if the price of gold continues to increase, you can expect the dividend to follow along.

Newmont is a gold major with diversified operations you can count on to give you leverage to the price of gold. So if you think gold prices are going to continue to increase from here, Newmont is a top TSX stock to buy.

Utility stock

Another high-quality investment to make today would be buying a TSX utility stock like Hydro One.

There is a significant risk that even after we open the economy back up, the lasting effects will put our economy into a recession.

Many investors are buying utilities today, as they represent some of the best defensive businesses.

<u>Hydro One</u> specifically gets mostly all its revenue from regulated sources. The company is responsible for the transmission and distribution of electricity in Ontario.

The highly regulated revenue gives Hydro One extremely predictable cash flow, which allows the stock to have a highly stable dividend. That dividend yields just under 4% today.

In an environment where there is still considerable uncertainty, and with bond yields so low, utilities that provide stable income and an attractive yield are some of the best TSX stocks to buy today.

Bottom line

If you're looking for TSX stocks to buy today or realize that you need to increase the resiliency of your portfolio, I'd start with a TSX gold or utility stock first.

CATEGORY

- 1. Coronavirus
- 2. Dividend Stocks
- 3. Investing
- 4. Metals and Mining Stocks

TICKERS GLOBAL

- 1. NYSE:NEM (Newmont Mining Corporation)
- 2. TSX:H (Hydro One Limited)
- 3. TSX:NGT (Newmont Mining Corporation)

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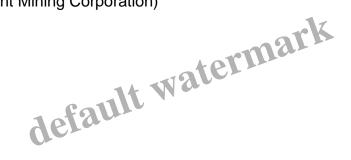
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