Market Rally: Where to Invest $10,000 Right Now

Description

The **TSX Index** has exhibited a much faster recovery and has surged almost 45% since its March lows. Although market pundits still have a gloomy outlook for broader markets, we can't be sure when the next market crash will strike. Thus, if investors are sitting on some cash, it would be better to look for Canadian giants with strong fundamentals that are trading at an attractive valuation.

A wide economic moat

Canadian National Railway (TSX:CNR)(NYSE:CNI) stock has shown a quick recovery after the COVID-19 market crash. It has soared more than 30% in the last two months and is currently trading close to its early 2020 levels.

The rally might continue, as the U.S. and Canada reopen from a weeks-long lockdown. Canadian National Railway has an unmatchable network of 19,600 miles that covers three coasts — the Atlantic, the Pacific, and the Gulf of Mexico. Its leading market share in a duopolistic market facilitates a stable financial performance.

Importantly, Canadian National stock does not look too stretched from the valuation standpoint, even after its recent rally. It is trading at a dividend yield close to 2%, and it offers stable, reliable payouts.

Canadian National Railway is a backbone of North American trade, and the stock might continue to soar higher as economies reopen.

Stable earnings and dividend profile

Utilities are some of the best defensive stocks to be in during the broad market volatility. **Canadian Utilities** (TSX:CU) is one such stock that offers stable dividends and slow stock movements.

Even in recessions, people will continue to use electricity, which makes utilities' cash flows stable. Unlike companies in the banking or energy sector, their earnings generally have a low correlation with economic cycles. That makes utilities relatively a safe bet in any kind of market.

Top regulated utility stock Canadian Utilities offers a dividend yield of 5.2%, which is higher than TSX stocks at large. It has increased dividends for the last 48 consecutive years — the longest streak for any Canadian company. Its dividends look secure and might continue for years, mainly driven by its stable earnings.

CU stock has been relatively slow to recover post-COVID-19 crisis, and it looks attractive from the valuation perspective. Utility stocks such as Canadian Utilities might not create substantial wealth in a shorter time frame, but their stable earnings and dividends act as a solid hedge in uncertain times.

Stock market rally and gold

The yellow metal has been making headlines for the last few months now. It is up almost 15% so far this year, and the outlook remains bullish. However, that does not mean one should go and buy gold bars.

Gold miner stocks pose a decent correlation with the traditional safe haven over the long term. Top gold miner **Barrick Gold** (TSX:ABX)(NYSE:GOLD) is a fundamentally strong, dividend-paying company that looks attractive at the moment. The stock has recently fallen 15% but still sits at a hefty gain of 83% in the last 12 months.

Barrick Gold's earnings were sharply uplifted due to higher realized gold prices in the last few quarters. Its strong balance sheet and unique mining assets make it stand tall among peers.

Gold might continue to shine on the back of rising macroeconomic tensions, which might fuel volatility in stocks. Barrick Gold remains an attractive option to bet on the yellow metal, because of its strong fundamentals and recently relatively improved valuation.

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2. NYSE:CNI (Canadian National Railway Company)
3. TSX:ABX (Barrick Mining)
4. TSX:CNR (Canadian National Railway Company)
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