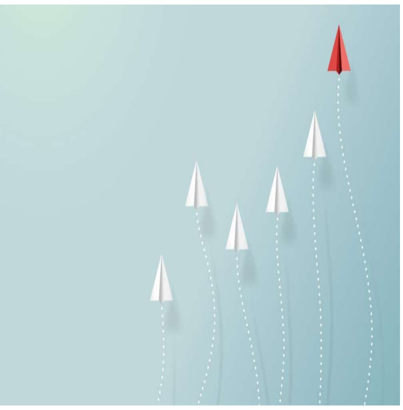

3 Reasons the TSX Index Can Still Hit Record Highs in 2020

Description

Earlier this month, I'd reviewed three reasons Canadians should not be too worried about a second market crash in 2020. The TSX Index has not fully recovered from its pre-pandemic highs. As it rebounded, I'd asked whether Canadians should take profits and head for the hills in May. Today, I want to look at three reasons Canadians should have faith that the market can climb back to these heights before 2020 concludes.

The TSX Index will benefit from an economic reopening

Canadian provinces have passed through several phases of reopening as we move into September. Jobless rates have fallen from their early summer highs but remain above the 10% mark. Sectors that were forced to close due to the pandemic, including restaurants and theatres, are facing major challenges in the months ahead.

On the bright side, some of the largest sectors on the TSX Index have started to gain momentum. In financials, Canada's banks have started to report their third-quarter 2020 results. **Royal Bank** beat analyst expectations with its Q3 2020 earnings. Its stock rose 1.48% to $101.40 on August 26. This was the first time Royal Bank stock made it into triple digits since early March.

Canada's top bank being on the up and up is good news for the economy at large. If the nation's other top banks can follow suit, this will fuel gains for the TSX Index into the fall.

Canada's tech sector is booming

While financials and energy lagged in the spring and early summer, some of the smaller sectors on the TSX Index picked up the slack. Top technology stocks like **Shopify** and **Kinaxis** have been world beaters in 2020. Shares of the e-commerce giant Shopify have increased 177% in 2020 as of close on August 26. Meanwhile, Kinaxis stock has climbed 104% so far this year.

These companies have established themselves as global leaders in their respective spaces. The

COVID-19 pandemic has pushed even more consumers to digital platforms, bolstering e-commerce growth. Meanwhile, the crisis has also complicated domestic and global supply chains. Kinaxis's revolutionary supply chain software has attracted the attention of some of the largest companies in the world. It has won contracts with **Toyota Motors**, **Ford**, and Unilever in recent years.

Many stocks on the TSX Index are still discounted

North American stocks have enjoyed a return to form in the summer, but that does not mean that all equities are overvalued. On the contrary, there are many high-quality stocks on the TSX Index that still qualify as a discount.

Canadian Western Bank is one regional bank stock I've been bullish on since the beginning of the spring. Its shares have dropped 18% in 2020. The stock is down 14% year over year. Investors can expect to see its Q3 2020 results before August comes to an end.

Shares of Canadian Western last possessed a price-to-earnings (P/E) ratio of 8.4 and a price-to-book (P/B) value of 0.8. This puts Canadian Western in attractive value territory relative to its peers on the TSX Index. Moreover, it offers a quarterly dividend of $0.29 per share. This represents a 4.5% yield.

Northwest Healthcare Properties is a real estate investment trust that is focused on high-quality healthcare properties. This is a fantastic target for Canadians in the wake of the COVID-19 pandemic. Its shares have been mostly flat in 2020. The stock last had a solid P/E ratio of 13 and a P/B value of 1.3. It offers a monthly distribution of $0.06667 per share, which represents a tasty 6.9% yield.

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