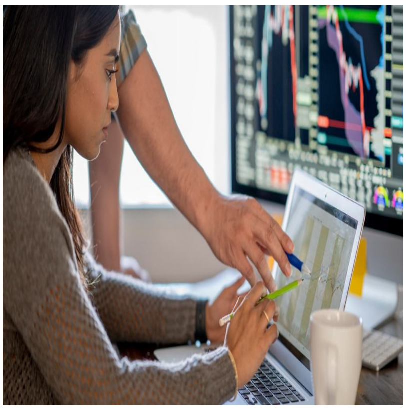

2 Stocks That Could Beat the TSX Index Over the Next 10 Years

Description

The **TSX Index** isn't a great gauge for investors, given its overexposure to the energy sector. Any weakness in oil prices will likely cause the index to sag, even if the economy is firing on all cylinders. As such, don't view the TSX Index as the full story. It's just not a great indication of how markets, as a whole, are doing at any given instance.

We've heard critics slam the **Dow Jones Industrial Average** as a poor way to track the markets given its arbitrary weighting (based on share price) and lack of holdings (only 30 names). But at the very least, it's balanced across sectors of the economy, unlike the TSX, which is a better gauge of how the energy and financial sectors are doing.

As oil and financial sectors continue to wane after a strong start to the year, I think investors have a shot to put the TSX Index to shame. Consider **Spin Master** (TSX:TOY) and **Canadian Tire** (TSX:CTC.A) as the names that could outperform through year-end and over the next decade.

Spin Master

Spin Master is more than just a Canadian toy company. After having demonstrated relative resilience through 2020, with massive growth in its digital games business, I think more investors should give the name the respect it deserves. I've compared Spin's digital games business to the likes of **Roblox**. And while digital still has a long way to go to compete with the likes of such a digital behemoth, I still think investors should keep an eye on the fast-growing segment.

It's not just digital games that should make Spin stock worth a growthier multiple; rather, it's the magnitude of upside that could be in the cards as the economy reopens. As the Delta variant threatens to cause more lockdowns, shopping malls could shutter and Spin stock could lose a step. Once it does, I'd look to scale into a position.

Today, the stock trades at a lofty 30.9 times earnings. It's a lofty multiple, even for a firm that could finally have the tides work in its favour. For now, the $5 billion company is worthy of your watchlist. But if you've got the risk tolerance, the name may be worth grabbing here, as it looks to continue outpacing the broader TSX.

Canadian Tire

Canadian Tire (TSX:CTC.A) makes a strong case for it should be crowned as Canada's most resilient retailer. Undoubtedly, investors were quick to doubt the firm as it ran face-first into the pandemic. As lockdowns kicked in, Canadian Tire's e-commerce business held the fort, and the firm was in great shape to deal with solid demand for discretionary goods as restrictions eventually lifted.

Recently, the company clocked in another solid quarter (Q2/2021) that saw EPS rise to $3.72, beating the Street by nearly $0.50. Retail and financial services held steady for the quarter. Although retail numbers could slow in the second half, I still think shares of the name are priced such that any coming quarterly disappointments won't be devastating to the stock.

In any case, I find the 12.8 times trailing earnings multiple to be way too low for a firm that's defied the odds through one of the worst economic storms in quite a while. Given Canadian Tire's resilience and newfound digital momentum, I think the stock is nothing short of a bargain relative to its pricier comparables south of the border.

CATEGORY

1. Investing
2. Stocks for Beginners

TICKERS GLOBAL

1. TSX:CTC.A (Canadian Tire Corporation, Limited)
2. TSX:TOY (Spin Master)

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