



## Will the TSX Rally End Soon As the Economy Contracts 1.1%?

### Description

Is the **TSX** rally about to end this month? Canada's primary equities benchmark fell lower for two consecutive trading days after posting a record-high 20,821.40 on September 3, 2021. Prime Minister Justin Trudeau is also under fire from his political opponents for the slowing economy.

Based on the Organization for Economic Co-operation and Development (OECD) report, Canada is the lone Group of Seven country whose economy decelerated in Q2 2021. Data from Statistics Canada confirms that the country's economy shrank by 1.1% during the said quarter.

Doug Porter, Chief Economist at **Bank of Montreal's** Capital Markets, said it was a jaw-dropper. He believes that gross domestic product and the economy are top concerns heading into election day. The sudden contraction also showed the Bank of Canada erred when it forecast a 2% growth in the second quarter.

Investors now worry about a [market correction](#) because of the turn of events. However, we can't be sure if it would stall TSX's bull run. Remember, too, that September is historically the weakest month for stocks. Meanwhile, income investors still have time to prep up their portfolios as the political drama intensifies.

You'd [feel safe](#) if you owned shares of the **Canadian Imperial Bank of Commerce** ([TSX:CM](#))([NYSE:CM](#)) and **TC Energy** ([TSX:TRP](#))([NYSE:TRP](#)). The share prices could slide, but the [dividend payments](#) should be uninterrupted.

### Top-performing Big Bank

CIBC has the most significant gain in the banking sector thus far in 2021. Only Canada's fifth-largest bank (+36.88) and BMO (+36.53%) among the Big Five banks can boast more than 30% gains. In Q2 fiscal 2021 (quarter ended April 30, 2021), CIBC was the only bank that reported more than 300% growth in net income.

According to CIBC President and CEO Victor Dodig, the \$65.55 billion bank continues to deliver

purpose-driven growth across all business units. In Q3 fiscal 2021 (quarter ended July 31, 2021), net income grew by 48% compared to Q3 fiscal 2020.

It was also another sterling performance by CIBC's U.S. Commercial Banking and Wealth Management segment. The business segment reported a 343% increase in net from a year ago. Its Canadian Commercial Banking and Capital Markets segment posted 47% and 11% net income growths, respectively. At \$145.63 per share, CIBC pays a 4% dividend.

## Enduring energy business

TC Energy is a top industry player that owns a diversified portfolio of critical energy infrastructure assets. The \$60.34 billion company has kept its investors whole on dividend payments despite the wild price fluctuations due to massive headwinds. As of September 8, 2021, TRP investors enjoy a 22.58% gain in addition to the lucrative 5.55% dividend yield.

Volatility is ever-present in the energy sector, but TC Energy mitigates the risks because long-term contracts and regulated business models support its capital projects. A \$21 billion secured capital program is in place for 2021. According to management, TC Energy can self-fund the growth projects through internally generated funds plus its debt capacity.

The 70-year-old company is a Dividend Aristocrat for increasing its dividends each year since 2000. TC Energy expects its secured growth projects to support annual dividend growth of between 5% and 7%.

## No panic reaction

The Bank of Canada is unperturbed by the economy's shock contraction in the second quarter. Moreover, it will keep the interest rate at a record low (0.25%) and expects a strong recovery in the back half of 2021.

### CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Energy Stocks
4. Investing

### TICKERS GLOBAL

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2. NYSE:TRP (Tc Energy)
3. TSX:CM (Canadian Imperial Bank of Commerce)
4. TSX:TRP (TC Energy Corporation)

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