



Canada Election: What Does the Liberal Victory Mean for TSX Stocks?

Description

Canada's election has just wrapped up. Justin Trudeau will retain his seat as prime minister, while the Liberal party retains its minority administration.

Here's what this means for investors and TSX stocks.

What happened?

After a tumultuous 36-day campaign, none of the major political parties have secured the 170 seats needed to form a majority government. Instead, the Liberal Party (with 148 seats at the time of writing) will have to strike a balance with others in parliament as a minority government.

If that sounds familiar, it's because it is. The Liberals have struggled to gain a majority, despite this being their third election victory. Canadian voters, it seems, are okay with the status quo.

So what?

For investors in TSX stocks, the election results provide some stability. They could expect more of the same for the foreseeable future. That means a focus on the economic recovery through stimulus measures.

During the campaign, the Liberals promised a boost in benefits programs such as Employment Insurance, Guaranteed Income Supplement (GIS) payments, and the Canada Pension Plan (CPP). They've promised a hiring credit to encourage companies to recruit more and get the unemployment level back to pre-crisis levels. They've also promised a special [tax-free account for homebuyers](#).

The party sees \$78 billion in new spending over five years, including \$13 billion in 2021. That support should help stocks and the economy rebound. The spending measures are to be funded by new taxes on Canadian banks and insurance companies earning over \$1 billion in profits and a 15% minimum tax rate for individuals in the highest bracket.

These measures could have an impact on real estate, luxury, and banking stocks.

What now?

TSX stocks are flat this morning, while the Canadian dollar is strengthening. Investors have had a lukewarm response to the election so far.

However, investors need to keep a close eye on how this administration navigates the economic recovery in the years ahead. There's some risk that too much deficit spending could trigger inflation, causing economic trouble. There's also a chance that higher taxes on corporations and individuals could limit the recovery's momentum.

TSX stocks are currently near an all-time high. Valuations are stretched and the federal government is already tackling a historic debt load. Investors can't afford to ignore the risks of a correction in the near term.

This is why all-weather stocks like **Fortis** ([TSX:FTS](#))([NYSE:FTS](#)) should probably be on your list. Fortis seems immune to economic cycles and has managed to raise dividends through dozens of elections over the past 47 years. It's a robust stock that's currently trading at 22 times earnings and deserves to be on your long-term watch list.

Bottom line

The 44th Canadian election has delivered a third victory for the Liberal Party. However, the Liberals haven't strengthened their position as they expected. The status quo has been preserved, and investors should expect more stimulus measures, higher taxes, and a focus on economic recovery in the years ahead.

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