



## 5 Headwinds: Time to Brace Yourself?

### Description

Chief Economist and Strategist David Rosenberg of Rosenberg Research told BNN Bloomberg that Canada would likely fall into a period of recession in the near term. He said the headwinds against the economy continue to stack up in such a way that a recession is virtually guaranteed.

Apart from the energy squeeze, the global supply chain disruptions, hot inflation, labour shortages, and the ongoing COVID-19 pandemic will compound the problem. The interview, however, was before the **TSX** surged to a record high of 20,928.10 on October 15, 2021.

### The calm before the storm

Much of the focus today is on oil because [prices are surging](#) as demand recovers from the pandemic's fallout. But for Matthew Taylor, an energy analyst with Tudor, Pickering, Holt & Co., the energy industry is in a veritable no man's land. Taylor said it's caught between the separate pulls of growing global crude oil demand and the investors' demands to invest more in energy transition projects.

Taylor observes that the midstream crude oil sector is in the middle between surging commodities prices and the producers' fiscal discipline. The situation prevents much of a trickle-down to the companies that move, process, and store the liquids. Taylor thinks it's the calm before the storm.

Still, TSX's energy sector is red-hot and continues its advance. While the year-to-date gain is now over 20%, the energy squeeze Rosenberg mentions could lead to a [market correction](#). If you're looking to invest, it's better to check out businesses that would do better in the recovery phase.

### Transportation and logistics

**TFI International** ([TSX:TFII](#))([NYSE:TFII](#)) is a transportation and logistics company with a vast e-commerce network that covers 80 cities in North America. The \$12.07 billion company works with independent contractors to deliver a broad range of verticals to customers in Canada, Mexico, and the United States. TFI caters to various industries, from retail to energy, food, and beverage, among others.

In Q2 2021, TFI reported record results and strong profitability. Because its business segments were in high gear, revenue and adjusted net income grew 123.1% and 104.2% versus Q2 2020. Notably, operating income from continuing operations reached \$310.3 million, a 226% year-over-year increase. UPS Freight, a strategic acquisition, made an immediate positive impact too.

This industrial stock is a [2021 TSX30 winner](#) (ranked 20) due to its +198% performance in the last three years. TFI trades at \$136.72 per share (+109.8% year-to-date) and pays a modest 0.86% dividend. It also carries a strong buy rating from market analysts.

## Supply chain operations

**Kinaxis** ([TSX:KXS](#)) deserves to be on investors' buy lists. Market analysts are also bullish on this tech stock and recommend a strong buy rating. The \$5.1 billion company from Ottawa provides cloud-based subscription software for supply chain operations globally.

Business is gaining momentum, as evidenced by the continuing growth in annual recurring revenue. In Q2 2021, it was 24.3% versus Q1 2021 (18.2%) and the full-year 2020 (15.3%). The company's contracts with its clients are long-term, so there's visibility into future contracted revenue. It has a total backlog of US\$381 million from 2021 to 2023 and later. The tech stock trades at \$189.22 per share and analysts' 12-month price target is \$202.57.

## Ominous sign

Investors and consumers might consider bracing for a recession. David Rosenberg said, "All the past seven recessions that we saw were followed by a surge in energy prices which we're seeing right now."

### CATEGORY

1. Dividend Stocks
2. Investing
3. Tech Stocks

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