



2 Stocks to Watch As TSX Index Nears Market Correction

Description

After another brutal session of trade, with the **TSX Index** [plunging](#) 1% over Omicron COVID variant [fears](#), the index now finds itself down 6% from its all-time high hit just under a month prior. Indeed, a market correction is getting closer. And with the **S&P 500 Composite Index** not far off, investors should have a game plan in place over the coming days and weeks, as the bargains become that much better.

Whether or not the Santa Claus rally is still on the table is a question mark. Indeed, it may be replaced with a much-awaited market correction. But investors need not fret, as those with excess capital may have an opportunity to get some steals as common stocks from across the board finally get a chance to cool. Undoubtedly, Boxing Day 2021 could hold some nice sales in the stock market, just as Black Friday did!

Market correction: TSX stocks to watch!

Without further ado, let's have a look at TSX stocks to watch as the index inches closer to correction territory. Consider shares that are down much more than the broader indices, but likely did not deserve to be. Think e-commerce companies like **Shopify** ([TSX:SHOP](#))([NYSE:SHOP](#)), which could get a boost as Omicron cases begin to cause some reopening rollbacks. In addition, names like **Royal Bank of Canada** ([TSX:RY](#))([NYSE:RY](#)) also appear to be stellar bets with the possibility of fast and furious rate hikes that could begin to kick in as soon as a few months.

Shopify

Shopify stock tanked 3.5% on Wednesday's trading session, adding to its losses bringing the name down around 13% from its recent high. Undoubtedly, Omicron poses a risk to the economy, but remember, Shopify is one of the better lockdown plays out there. As such, I view the recent correction to the name as overblown. Shopify is a wonderful business, and while the stock is still a tad on the pricey side, I wouldn't hesitate to get a little bit of skin in the game with the intention of buying even more shares on a continued pullback.

Indeed, if Omicron drags the TSX Index into a full market correction (10% dip), Shopify could flirt with a bear market. And once it does, investors should consider adding to their stake. Shopify's an incredibly well-run firm with fundamentals that are still intact. It's arguably the most innovative large-cap in Canada, and for that reason, shares ought to be added to a watchlist at the very least!

Royal Bank of Canada

Royal Bank of Canada recently clocked in what can only be described as a mixed bag of a quarter. Earnings fell short of the consensus, but the firm did raise its dividend by a generous 11%, with a plan to repurchase shares. Indeed, given permission to hike dividends and resume buybacks, the big bank wasted no time getting to it. Moving forward, the bank is expected to repurchase up to 45 million worth of shares.

As you may know, buybacks only work out if a stock is undervalued. After a 6% pullback from its all-time high, shares trade at 11.8 times earnings, which is pretty cheap in my books. With a growing 3.5%-yielding dividend, investors should keep a close watch as the odds of plunging further in a market correction seem high.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:RY (Royal Bank of Canada)
2. NYSE:SHOP (Shopify Inc.)
3. TSX:RY (Royal Bank of Canada)
4. TSX:SHOP (Shopify Inc.)

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Date

2025/07/26

Date Created

2021/12/02

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