



My Top 3 2022 Predictions for the Canadian Stock Market

Description

The year 2021 saw some out-of-the-blue trends in the stock market, from meme stocks to the first **Bitcoin** ETF. This proves that the stock market is volatile, and no matter how much you predict, there will be one-off outliers that will react opposite to the forecast. Then why bother predicting the stock market momentum in 2022? The broader market trends help us make educated guesses and better prepare for a downturn.

A look back at the 2021 stock market

A year back, I'd [predicted](#) a market crash in the first half and a recovery in the second half of 2021, but the exact opposite happened. The TSX Composite Index surged almost 15% till June, as the market saw cash inflow from the stimulus money. However, the index growth slowed to 2.4% in the second half just when the recovery started, thanks to 18-year high inflation caused by rising energy prices and supply chain issues.

Heading into 2022, S&P Global expects Canada's inflation to peak, as the government withdraws stimulus packages, while labour and capital supply shortages increase prices. The rising inflation could impact purchasing power and reduce consumer spending, slowing GDP growth. S&P Global [forecasts](#) GDP growth to reach 5% in 2021 and 3.7% in 2022.

Based on the above economic forecast, I have made three stock market predictions for 2022. But before you read further, remember these forecasts are subject to change based on new developments. And there will be outliers.

My stock market predictions for 2022

- There could be a shift from growth stocks to value stocks.
- Energy, tech, and automotive sectors could see significant momentum.
- Crypto-related stocks could continue to remain volatile.

A shift from growth stocks to value stocks

Last year, there was significant growth in meme and tech stocks, as there was ample liquidity in the market. In 2020, George Soros warned of a tech bubble burst, as it was the fiscal stimulus money that investors put in tech stocks. I can't say this for all tech stocks, but any negative news could bring the overvalued stocks crashing down. For instance, short-seller Spruce Point Capital Management targeted **Lightspeed Commerce** ([TSX:LSPD](#))([NYSE:LSPD](#)), and **Nuvei**. The two stocks fell over 65% and 44%, respectively.

All this negative news, plus lower purchasing power could make aggressive investors cautious. They might move their money to value stocks with strong fundamentals. I won't be surprised if infrastructure, real estate, and energy stocks outperform. These sectors enjoy stable cash flow and high-profit margins. This brings me to my next prediction.

Energy, tech, and automotive to see significant momentum

The year 2022 could see a surge in electric vehicle (EV) demand towards the second half, as supply chain concerns have delayed the EV wave in 2021. This makes me bullish on automotive and related stocks like **Tesla**, **Magna International**, and **BlackBerry** ([TSX:BB](#))([NYSE:BB](#)). BlackBerry is looking at automotive operating systems for future growth. Its QNX platform powers most cars, and it is now foraying into automotive analytics with the IVY platform. If the new product is successful, BlackBerry could ride the EV and autonomous vehicle wave.

While the automotive market could see a recovery in 2022, [tech stocks](#) could see a correction. Most virus stocks like **Shopify** and **Lightspeed** saw 10-year growth in a year. Even though the tech industry grows, the stock price might see a tepid rally, for they have already priced it for several years of growth.

But energy stocks could surprise you in 2022, especially natural gas stocks. Many economies suffer from an energy crisis, as they have accelerated their transition to renewable energy. Natural gas stands between coal-fired and green energy. Hence, it is a beneficiary in the energy transition.

Canadian Natural Resources stock surged 58.5% so far this year. I expect to see an increase in acquisitions among pipeline companies, as environmental concerns make it increasingly difficult to build new pipelines.

Crypto-related stocks to continue to remain volatile

My final prediction is around the most unpredictable asset class, crypto. Eastern countries like China and India are banning crypto, while western countries are gradually adopting it. This divide between the east and west could keep the volatility alive in the crypto world in 2022.

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