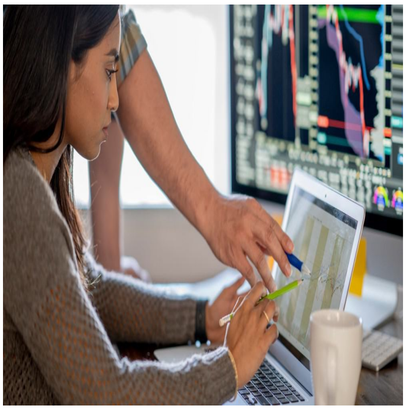

The TSX Won't End 2021 Stronger Than its Post-Financial Crisis Performance in 2009

Description

The TSX had a magnificent bull run in 2021 — a year investors thought would be a post-COVID year. Unfortunately, a new coronavirus variant dashed hopes of a stronger finish than the 2009 post-financial crisis. The index lost 35.03% in 2008 then stormed back in 2009 to deliver a 30.69% overall return.

Canada's primary stock market didn't lose in 2020 and managed a 2.17% total return. On November 16, 2021, it posted a new record of 21,786.50, or a 24.87% year-to-date gain. The TSX seemed ready to match, if not beat, its 2009 performance until it dropped 6% 10 days later on Omicron fears.

As of December 22, 2021, the year-to-date gain is 20.86%. Ten of the 11 primary sectors are in positive territory, with energy (+76.98%), real estate (+30.93%), and financial (+30.15%) as the top three performers. Healthcare, the worst performer, is down 19.97%.

If you're looking to invest in Canada's largest publicly listed companies by market capitalization, **Shopify** (TSX:SHOP)(NYSE:SHOP) and **Royal Bank of Canada** (TSX:RY)(NYSE:RY) are the top two components. **Toronto-Dominion Bank**, **Brookfield Asset Management**, and **Canadian National Railway** round up the top five.

Tech phenomenon

Tech phenomenon Shopify has a market cap of $223.15 billion as of this writing. The e-commerce platform made it in all three TSX30 lists, placing second in 2019 and 2021. It was number one in 2020, when technology was the winning sector. However, the sector is only the sixth-best performer (+16.04%) this year.

Shopify has rewarded investors with a 967.77% total return (119.89% CAGR) in the last three years. Today, the tech stock trades at $1,776.77 per share — a year-to-date gain of 23.61%. The provider of modern commerce tools for merchants reported strong results in Q3 2021 but expected Q4 to contribute the largest share of full-year revenue.

Harley Finkelstein, Shopify's president, said entrepreneurs worldwide embrace a future in which retail happens everywhere. However, next year should be an acid test, as we'll get to see how the stock will perform in a prolonged inflationary period.

Market analysts' 12-month average price target for Shopify is $1,965.84 — an upside potential of 10.65%.

Buy and hold

Canada's largest bank is a solid investment choice regardless of the economic environment. RBC has outperformed the TSX and Shopify this year with its 31.44% year-to-date gain. Also, at $132.59 per share, you can partake of the 3.65% dividend. Between Shopify and RBC, I'd rather buy the bank stock for safe and recurring income streams.

The $185.36 billion bank's dividend track record of 151 years shows that you can invest in RBC today and never sell again. In fiscal 2021 (year ended October 31, 2021), revenue rose 5.3% to $49.69 billion versus fiscal 2020. Net income soared 40.33% year over year to $16 billion.

Dave McKay, RBC's CEO, notes the elevated growth in client activity across all the bank's businesses. He added that the overall performance in 2021 reflects strong earnings, premium shareholder performance. Apart from announcing an 11% dividend hike, RBC plans to buy back up to 45 million of its shares.

Still a strong finish in 2021

The TSX is unlikely to post a new all-time high with only a few trading days remaining. Still, investors should be pleased with the overall gain in 2021 compared to the pandemic-plagued 2020.

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