



Has the Market Turned a Corner? 3 Signs That Say Yes

Description

Canada's primary stock exchange has been spiking and dipping, but it hasn't closed below the 20,000 mark since May 13, 2022. On May 27, 2022, the Index advanced 216.40 points (+1.05%) to cut its year-to-date loss to 2.23%. The Dow Jones, S&P 500, and NASDAQ in America are down 8.60%, 12.76%, and 22.46%, respectively.

If you compare the performances of the stock exchanges, has the TSX turned the corner? There are three signs that indicate it will gain more strength and wipe out the losses in June.

Longest winning streak

From May 19 to May 27, the TSX advanced in each of the six trading days. It's the longest winning streak in the wake of surging inflation and rising interest rates. Unlike its American counterparts, the TSX isn't deep in the red, if not far from a bear market. Note that the index has posted several new highs before the massive headwinds shook the market.

Rising oil prices

The TSX's energy sector (13.1%) is second to financials (32.2%) in terms of percentage weight. However, rising oil prices is a boon for the entire market. Energy stocks have been at the forefront of the decent run for most of 2022. The overall gain thus far is a whopping 65.14%.

Based on data from Outcome Metric Asset Management, the TSX outperformed the S&P 500 80% of the time when oil gained more than 30%. Crude oil prices are up 74.08% from a year ago.

Not overextended

Some market analysts believe that TSX equities have been trading at large discounts since 1994. Somehow, it reinforces the view that Canadian stocks aren't overextended like U.S. stocks. The

positives right now are buoyant oil prices and attractive relative valuation.

The big guns

Canadian Natural Resources ([TSX:CNQ](#))([NYSE:CNQ](#)) and **Canadian Utilities** ([TSX:CU](#)) are the big guns on the TSX today. The former is the first Canadian oil & gas company that hit a \$100 billion market cap, while the latter is the TSX's only Dividend King. Regarding dividend payments, CNQ's yield is 3.53%, while the offer of CU is 4.46%.

At \$84.99 per share, CNQ investors are up 60.62%. Also, the trailing one-year price return is 116.76%. Its President, Bill McKay said that because of the oil bull market, the company delivered net earnings of \$7.66 billion in 2021 compared to the \$435 net loss in 2020. Notably, cash flow from operating activities ballooned 207% year over year to \$14.47 billion.

A Dividend King is a company that has raised its dividend for 50 consecutive years. On the TSX, that feat belongs to Canadian Utilities. The utility stock has also been a steady amid the challenging environment. At \$39.86 per share, the year-to-date gain is 11.28%.

The \$10.75 billion diversified utility company boasts a high-quality earning base that is supported by regulated, long-term contracted assets. This **ATCO** company delivers natural gas in Alberta and northern Canada and provides hydroelectricity in Mexico. It also caters to customers in Australia and Puerto Rico.

Momentum build-up

TSX's momentum build-up could continue next month and result in an even longer winning streak.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:CNQ (Canadian Natural Resources)
2. TSX:CNQ (Canadian Natural Resources Limited)
3. TSX:CU (Canadian Utilities Limited)

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