What to Watch for in the TSX Today

Description

The **S&P/TSX Composite Index** climbed 342 points on Tuesday, July 19. Canadian and North American stocks have suffered a steady slump since the spring season. However, that decline has mostly stalled since the first half of May. Canada has been bolstered in part by its energy-rich index, which has been able to provide support, as oil and gas prices have remained robust. Today, I want to discuss three things investors should be on the lookout for on the TSX to open the trading session on July 20. Let's jump in.

TSX tech stocks have rebounded in recent trading sessions

Energy stocks may have provided much-needed support, but Canada's technology sector has been throttled during this slump. **Shopify** turned into one of the great tech success stories since its debut in 2015. However, it has suffered a catastrophic price drop that has spurred comparisons to the collapse of Nortel. Indeed, shares of this tech stock have plunged 77% year over year as of close on July 19.

Fortunately, there are some positives to glean in the tech space on the TSX right now. **BlackBerry** has increased 6.9% week over week as of close on July 19. The stock has jumped 12% month over month. This company boasts promising exposure to sectors like cybersecurity and automotive software. However, it also faces increasingly stiff competition in those spaces.

Unlike BlackBerry, **Kinaxis** has firmly established itself as a global leader in its respective sector. This Ottawa-based company offers supply chain solutions software to an impressive global client base. Shares of this tech stock have jumped 19% in the month-over-month period. If the Canadian tech sector can sustain this rebound, Kinaxis remains one of my favourite targets.

The ongoing impact of inflation

Last week, the Bank of Canada (BoC) surprised experts with a significant 1% interest rate hike. That was higher than expected. Policymakers have made it clear that they are committed to battling Canada's increasingly high inflation rate. Indeed, the BoC recently predicted that inflation would remain around the 8% mark or higher over the next few months. That will put major pressure on Canadian consumers.

Investors should target TSX stocks that can thrive in this inflationary climate. Food prices have surged in 2022, which has led to attractive sales growth for food retailers. **Loblaw** is the top grocery retailer in the country. In the first quarter of fiscal 2022, the company posted revenue growth of 3.3% to $12.2 billion. Meanwhile, adjusted EBITDA rose 10% year over year to $1.34 billion.

Gas price increases have been the most significant inflation driver in recent months. Investors should still be interested in snagging top energy stocks like **Suncor** (TSX:SU)(NYSE:SU). Shares of this TSX stock have climbed 23% in 2022 as of close on July 19. The stock is down 12% month over month.

This energy stock possesses a very attractive price-to-earnings ratio of 9.5. It offers a quarterly dividend of $0.47 per share, which represents a solid 4.5% yield.

Are interest rate hikes already priced in on the TSX?

Canadian and North American markets have gorged on historically low interest rates and aggressive asset purchasing programs over the past decade. Despite that, the monster rate hike last week did not appear to rattle markets in a significant way. Interest rate hikes may have already been largely priced in at this stage, which means investors should be intrigued by undervalued equities on the TSX.

Some of those undervalued equities include profit machines like **TD Bank** and **Royal Bank**. Moreover, higher interest rates may limit credit growth, but top banks will also see their profit margins boosted in the near term.

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