What to Watch for in the TSX Today

Description

The **S&P/TSX Composite Index** climbed 281 points on Wednesday, July 28. Canadian stocks have broadly gained momentum in the second half of July, recouping most of the losses suffered in the beginning of the month. Today, I want to look for things Canadians should watch for on the TSX.

Yield curves are flashing warning signs in North America

Central banks in Canada and the United States have aggressively raised interest rates to fight inflation in 2022. Inflation has yet to be brought under control, but the tightening rate environment has had a significant impact on the market outlook. Moreover, analysts have turned their attention to yield curve inversions.

A yield curve inversion occurs when longer term yields sink lower than short-term yields. Historically, a yield curve inversion has been a reliable warning sign for a coming recession. A serious recession could trigger a snapback on rate policy from central banks in late 2022 or 2023.

This is a great time to snatch up cheap stocks like **TD Bank** (TSX:TD)(NYSE:TD) today. Shares of this top bank stock have dropped 17% in 2022 as of close on July 27. That has pushed the stock into negative territory in the year-over-year period. It currently possesses a favourable price-to-earnings ratio of 10. Moreover, it offers a quarterly dividend of $0.89 per share. That represents a solid 4.3% yield.

A rebound for TSX tech gave support to the struggling e-commerce space

Shopify (TSX:SHOP)(NYSE:SHOP) made headlines on Wednesday after it announced that it would lay off 10% of its staff. Regardless, its stock surged 11% to close out the day. The stock managed to jump on the back of a broader rally in the Canadian tech space.

Beyond the Wednesday rally, Shopify also posted a shoddy earnings report. It posted an adjusted net loss of $38.5 million, or $0.03 per basic and diluted share — down from an adjusted profit of $284 million, or $0.22 per diluted share, in the prior year.

The e-commerce sector soared to new heights during the COVID-19 pandemic. Unfortunately, that boom has come to a screeching halt in 2022. Consumer activity has dropped off markedly with shoppers under pressure due to soaring inflation. That has significantly curbed the growth aspirations for Shopify and its peers. Investors on the hunt for big growth may want to look elsewhere on the TSX.

Some experts are calling for an inflation peak: Good news for the TSX?

Loblaw Companies, the top grocery retailer in Canada, has seen its sales erupt due to rising food prices in this inflationary environment. Galen Weston, the chairman and president of Loblaw, recently suggested that retailers are seeing signs of price “stabilization.” That may curb the significant sales growth we have seen at top grocery retailers, but stability for consumers will be a positive in the long run.

Metro (TSX:MRU) is another top TSX stock that operates in the grocery retail space. Shares of Metro have climbed 5.5% in 2022 as of close on July 27. The stock is up 11% in the year-over-year period. Investors can expect to see its third-quarter fiscal 2022 earnings on August 10.

Shares of Metro currently possess a P/E ratio of 20, putting it in solid value territory. Meanwhile, it offers a quarterly dividend of $0.275 per share. That represents a modest 1.5% yield.

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