What to Watch for on the TSX Today

Description

The **S&P/TSX Composite Index** climbed 31 points on Thursday, August 4. Canadian stocks enjoyed a solid rebound in the second half of July. However, there is still considerable uncertainty in the broader economy that may be confounding investors. Today, I want to look at some of the things Canadians might want to watch out for on the TSX. Let's dive in.

Oil prices are softening in early August – What TSX stocks are suffering?

Canadian energy stocks thrived during the oil and gas bull market in the first half of 2022. The energy sector was already on the upswing due to increased demand as pandemic restrictions were being washed away in late 2021 and early this year. However, it was the Russia-Ukraine conflict that spurred a major bull run for Canada's top energy stocks.

That momentum has faded in the second half of the year. The per barrel price of West Texas Intermediate fell below the US$90 mark yesterday. It reached an all-time high at almost US$140/barrel back in March. Oil and gas prices have weakened as fears of a recession have grown. Meanwhile, OPEC has also vowed to boost production by 100,000 barrels a day.

Suncor (TSX:SU)(NYSE:SU) is one of the largest integrated energy stocks in Canada. This top TSX stock has slipped 6% week-over-week at the time of this writing. Its shares are still up 19% in the year-to-date period.

The company unveiled its second quarter 2022 earnings after markets closed on August 4. Adjusted funds from operations (AFFO) more than doubled to $5.34 billion or $3.80 per common share. Suncor is still a worthy long-term hold, but investors should expect earnings to soften along with broader oil and gas prices going forward.

Canada housing and the coming recession

Canada’s housing market has experienced a massive sales drop since the middle of the spring. Prices have also been hit, as the Bank of Canada (BoC) has moved to aggressively raise interest rates to combat soaring inflation. **Home Capital Group** is one of the top alternative lenders in Canada. This housing-focused TSX stock has been hammered in the face of chaos in the real estate space.

Shares of Home Capital have dropped 31% in 2022 as of close on August 4. That has pushed the stock into negative territory in the year-over-year period.

TD Bank economists recently warned that volatility in the housing market poses a growing risk to the broader domestic economy. Indeed, the housing indicator suggests a recession risk of 85% over the next year.

The TSX industrial sector is gaining momentum

The **S&P/TSX Capped Industrials Index** moved up 1.78% on August 4. Canadian rail giants **Canadian National Railway** and **Canadian Pacific Railway** boast the biggest market cap in this sector. Shares of Canadian National Railway have increased 4.8% so far in 2022. The TSX stock is up 19% in the year-over-year period. Meanwhile, CP Rail has jumped 8.7% so far this year. Its shares are up 10% from the same period in 2021.

These industrials stocks have proven to be a very reliable hold on the TSX in the face of broader turbulence.

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