The New Rules of Investing in 2023

Description

The **S&P/TSX Composite Index** posted a negative return of 8.7% in 2022, its first loss in four years, or since 2019. Because of the elevated volatility for most of the year, only three of the 11 primary sectors finished in positive territory. For two years, energy was the top-performing sector, and market analysts predict its bull run will carry over this year.

However, with the aggressive rate hike cycles not ending anytime soon, it might be wise to adopt a new set of rules for investing. Liz Ann Sonders, the chief investment strategist at **Charles Schwab**, suggests a different tact when picking stocks in a volatile economic environment. She recommends a factor-based approach instead of a sector-based approach.

Sonders believes that active management of investments is most appropriate with higher interest rates. Her advice is for investors to look at the particular qualities of individual stocks or companies that have the potential to do well under current economic conditions. Two Canadian stocks with 'quality wrappers' are the **Toronto Dominion Bank** (TSX:TD) and **TC Energy** (TSX:TRP).

Big Bank

Canada's banking industry is not only vibrant but among the most stable and resilient in the world. The Toronto Dominion Bank, the second-largest of the Big Six, has been paying dividends since 1857 (165 years). At $89.10 per share (+2.74% year to date), the dividend yield is 4.35%. In 50.13 years, the total return is 41,474.53%.

The $162.2 billion bank is in good shape and looks forward to becoming a top-six U.S. bank. TD announced in February 2022 the deal to acquire Memphis-based First Horizon for $13.4 billion. Management hoped to complete the all-cash transaction within the first fiscal quarter of this year. But due to some snags, TD Bank CEO Bharat Masrani expects to finalize the deal by the first fiscal half.

Masrani said the merger will provide TD with immediate presence and scale in highly attractive adjacent markets in the US. He adds there would also be a significant opportunity for future growth across the Southeast. In fiscal 2022 (12 months ended October 31, 2022), TD's net income rose

21.9% to $17.4 billion versus fiscal 2021.

Premier industry player

TC Energy, a premier energy infrastructure company in North America, should hold up well and endure market turmoil. The energy sector is inherently volatile yet this $57.4 billion pipeline operator hasn't missed raising its dividends yearly since 2000. If you take a position today, the share price is $57.41 (+6.35% year to date), and the dividend offer is 6.28%.

The recent spill in the Keystone pipeline has pressured the energy stock. But despite this setback, you can expect TC Energy to produce strong results. Its diversified portfolio and long-life energy infrastructure assets are competitive advantages.

Like most industry players, TC Energy's profits are soaring. In the nine months that ended September 30, 2022, net income climbed 199.5% year over year to $2 billion. According to management, the company remains opportunity rich with its $34 billion in fully sanctioned secured capital projects. It targets an annual dividend growth rate between 3% to 5%.

Standout prospects

Investors can't be careless when choosing stocks in 2023. TD and TC Energy stand out because of their solid financial positions and ability to sustain or grow dividends over time.

CATEGORY

1. Bank Stocks
2. Energy Stocks
3. Investing

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2. TSX:TRP (TC Energy Corporation)

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