



A Bull Market Is Coming: Here's What I'm Buying to Prepare

Description

The stock market is off to a great start in 2023. The S&P 500, the TSX Composite Index and the NASDAQ all started off the year with positive gains, and there are signs that the gains will continue. Last year, central banks raised interest rates, which contributed to stocks going down. This year, it is widely expected that there will be only two more small rate hikes followed by a pause. If this occurs, then there will be a lot of room for stocks to rise (though you can expect some turbulence around the dates when interest rates go up).

In this article, I will explore three things I'm buying to prepare for the next bull market in stocks.

Foreign stocks

Foreign stocks have been among my favourite things to buy in 2023. China is re-opening, supply chains are normalizing, and foreign stocks remain undervalued. For this reason, I have been buying foreign stocks like **Alibaba Group Holding** ([NYSE:BABA](#)). Alibaba is a Chinese stock that, at its lowest levels last year, was trading barely above book value ("book value" means assets minus liabilities).

Essentially, you were barely even paying for more than what the company owned when you bought the stock; any future earnings were "free." When China's zero-COVID policy was in full swing, sentiment toward Chinese stocks got so dim that these opportunities became commonplace. Today, the buying is not as good as before, but I remain optimistic.

Canadian banks

Another category of equities I'm buying this year is [Canadian banks](#). I've been buying **Toronto-Dominion Bank** ([TSX:TD](#)) stock for many years now, and I continued with it this year. Interest rates have risen a lot in the last year, and banks have benefitted.

In the most recent quarter, U.S. banks saw their net interest income (NII) rise 33% on average. NII is

loan interest earned minus deposit interest paid. The signs from U.S. banks were good, and TD Bank is in much the same boat. First, TD makes a lot of its money in the U.S., so it should directly enjoy some of the success being experienced by U.S. financials. Second, Canada's economy is connected to that of the U.S., meaning that what happens in the U.S. is likely to spill over to Canada.

U.S. banks

The final category of stock I'm buying this year is U.S. banks like **Bank of America** ([NYSE:BAC](#)). Bank of America just released its earnings and easily beat what analysts were expecting:

- Revenue of [\\$24.5 billion](#), up 11%
- NII of \$3.3 billion, up 29%
- \$0.85 in earnings per share, up 3.5%

It was a solid showing, and it should continue. Recent economic data shows that the U.S. economy is adding jobs, but at the same time, the Federal Reserve continues to hike interest rates. So, we've got a growing economy alongside a situation where banks can charge higher interest on loans. This should add up to growing earnings for Bank of America in the near to medium term.

Foolish takeaway

2023 has been a great year for stocks so far, and the party might not be over. The consumer is strong, the job market is hot, and yet inflation is declining due to oil prices having fallen from their 2022 peak. This seems like a great time to be in the markets.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:BABA (Alibaba Group Holding Limited)
2. NYSE:BAC (Bank of America)
3. TSX:TD (The Toronto-Dominion Bank)

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1. Business Insider
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