



Guide to Canadian Stock Market Sectors

Description

Stock market sectors are groupings of companies that share a primary business operation and revenue source, such as energy or health care companies.

While these companies aren't always in direct competition with each other, breaking up the economy by market sectors helps analysts compare stocks with similar business models. It can also help individual investors diversify their investment portfolios.

What are the stock market sectors in Canada, and how can they help you with your investing? Let's take a closer look.

What is a stock market sector?

You can think of stock market sectors as simply a sorting method.

They help us take this big thing we call the "economy" and break it down into smaller (but still fairly large) parts. This, in turn, helps portfolio managers conduct research, as well as compare a stock's performance against its larger sector. It can also help you create a well-rounded portfolio, with proper allocation to each sector (more on that below).

What are the major stock market sectors in Canada?

The Global Industry Classification Standard (GICS), developed by Morgan Stanley Capital International and Standard & Poor's, is the industry model for stock market sectors. They classify stocks into 11 different sectors, each connected by similar business activities.

Here's a breakdown of those 11 stock market sectors and some of the top companies within them.

1. Energy

The energy sector is one of Canada's biggest market sectors, and it includes companies whose principal aims are to find, produce, refine, store, transport, or distribute consumable energy.

These companies could be [oil and gas businesses](#) who are physically drilling into the earth or exploring the seas for crude oil or natural gas. Or they could be manufacturers who produce the equipment and pipelines needed to mine and transport energy.

Either way, these stocks depend on the price of consumable energy in some way, and their businesses are centered around supplying the economy with the energy it needs.

Note: renewable energy companies typically don't fall under this category. They're usually sorted under "utilities."

| Energy Stock | Market Cap | Description |
|--|---------------|--|
| Canadian Natural Resources (TSX:CNQ) | \$95 billion | One of the largest oil and natural producers in Canada with a quarterly dividend. |
| Enbridge (TSX:ENB) | \$118 billion | Canada's largest oil and gas pipeline company with hydrocarbon operations across Canada and the United States. |

2. Materials

The [materials sector](#) is in charge of producing and distributing the raw materials found in nearly every household and everyday product.

These materials include paper, construction materials, metals, minerals, plastics, chemicals, glass, and forest products. A company that makes household paints, for instance, would fall into this sector, as would steel producers, paper ream distributors, and even a company that makes plastic tape.

| Materials Stocks | Market Cap | Description |
|---|--------------|--|
| Nutrien (TSX:NTR) | \$73 billion | The world's largest fertilizer company by market cap, specializing in nitrogen, potash, and phosphate. |
| Barricks Gold (TSX:ABX) | \$51 billion | A global leader in gold production with active mines in Australia, Africa, South America, and North America. |

3. Industrials

If the materials sector produces the rudimentary building blocks of everyday life, you can think of the [industrials sector](#) as producing the bigger blocks that make modern life run efficiently.

These companies typically produce the heavy machinery needed in industries such as aircraft, construction, [agriculture](#), factories, and transportation.

In addition to companies that make heavy machinery, the industrial sector also includes a variety of

services that help keep industries running, such as human resources and employment, environmental and facility, and even research and consulting services.

| Industrials Stocks | Market Cap | Description |
|---|---------------|---|
| Canadian National Railway (TSX:CNR) | \$103 billion | National leader in the railway industry with tracks that span coast-to-coast in Canada, as well as through Chicago to the Gulf of Mexico. |
| Waste Connections (TSX:WCN) | \$42 billion | North America's third-largest provider of solid waste and recycling services. |

4. Utilities

Companies that engage in utilities are those that take raw energy (typically processed by those in the energy sector) and distribute it to residential, commercial, industrial, and governmental areas.

When you think of utilities, you'll probably think about the big four — electricity, gas, [water](#), and wastewater. But keep in mind that companies that harvest renewable energy fall into this category too, such as certain solar panel companies, wind turbines, even pico or micro hydro makers.

| Utilities Stocks | Market Cap | Description |
|-------------------------------------|--------------|---|
| Fortis (TSX:FTS) | \$30 billion | Major electricity provider in both Canada and U.S. with over 3.4 million electricity and gas customers. |
| Hydro One (TSX:H) | \$20 billion | The largest electricity provider in Ontario with around 1.4 million customers. |

5. Health Care

The [health care sector](#) is composed of companies who make medical equipment (from latex gloves to artificial lungs) and pharmaceuticals (both chemical and [biotech](#)), as well as health care providers and facilities and even health insurers.

In recent years, [cannabis companies](#) have joined the health care sector as a new, and somewhat exciting, industry.

| Health Care Stocks | Market Cap | Description |
|---|----------------|---|
| dentalcorp Holdings(TSX:DNTL) | \$2.4 billion | Canada's largest network of dentists, which acquires and partners with dental practices across the country. |
| Andlauer Healthcare (TSX:AND) | \$1.93 billion | A holding company that provides transportation and logistics solutions for health care companies. |

6. Financials

Companies in the financials sector deal primarily with money, such as banks, insurance companies, credit card issuers and payment networks, credit unions, financial services, and mortgage [REITs](#).

| Financials Stocks | Market Cap | Description |
|--|---------------|---|
| Royal Bank of Canada (TSX:RY) | \$183 billion | Canada's largest financial institution and one of the top 10 banks in the world. |
| Toronto-Dominion Bank (TSX:TD) | \$169 billion | The second-largest bank in Canada with operations in both Canada and the eastern United States. |

7. Consumer Discretionary

The consumer discretionary sector is the market sector that most people get excited about. It includes those products and services that we don't really need, but well — are nice to have.

Most of the companies in the consumer discretionary sector sell luxury products or services, such as electronics, sporting goods, cars, motorcycles, jewelry, and certain kinds of apparel. They also include companies in the entertainment and tourism industries, such as cruise liners, hotels, restaurants, and resorts.

Occasionally, a company will provide an essential, such as [food](#) or clothing, but it's labeled as "discretionary" for the mere fact that it's aimed at people with higher-than-average incomes. Most [retail stocks](#) also fall under the consumer discretionary category.

| Consumer Discretionary Stocks | Market Cap | Description |
|--|----------------|--|
| Magna International (TSX:MG) | \$22.7 billion | Technology company that designs and engineers automotive supplies. |
| Restaurant Brands International Inc. (TSX:QSR) | \$20.8 billion | One of the largest restaurant companies in the world with around 28,000 restaurants. |

8. Consumer Staples

Unlike the products sold by consumer discretionary companies, consumer staples are necessities. Companies in the consumer staples market typically manufacture or distribute food, beverages, household items, and personal products. Oddly enough, tobacco companies also fall under consumer staples, as do certain drug retailing companies and mega stores (like Costco).

| Consumer Staples Stock | Market Cap | Description |
|---|----------------|--|
| Loblaws Companies Limited (TSX:L) | \$37.3 billion | Canada's largest grocery, pharmacy, and general merchandise retailer, which owns numerous brands such as No Frills and Maxi. |

Dollarama ([TSX:DOL](#)) \$20.6billion Well-known Canadian retail store that provides affordable consumer products across its 1,355 stores.

9. Information Technology

The information technology sector — more commonly known as “[tech stocks](#)” — includes companies who make, develop, innovate, research, and distribute different forms of technology.

When you think of tech stocks, you may think of companies who build computers or smartphones. But the sector is much vaster than that.

In addition to those who make the gadgets we use everyday, information technology includes companies who design semiconductors, streaming services, cloud computing services, [cybersecurity](#) software, artificial technology, and even the Internet of Things.

| Information Technology Stocks | Market Cap | Description |
|---|--------------|---|
| Shopify (TSX:SHOP) | \$61 billion | Provider of e-commerce platforms to small and mid-sized businesses. |
| Constellation Software Inc. (TSX:CSU) | \$42 billion | Software company that develops customized software products for public and private companies. |

10. Communication Services

If the information technology sector makes the physical gadgets in our pockets, it's the communication services sector that connects us with them.

Communication services (also known as telecommunications) includes companies that provide services and infrastructure for disseminating information. These companies can be classic media providers, such as television networks and radio, as well as newer forms of media, like social media.

They also include service providers like cable companies, broadband internet, television broadcast networks, and even mobile wireless networks.

| Communication Services Stocks | Market Cap | Description |
|---------------------------------------|----------------|--|
| BCE Inc. (TSX:BCE) | \$63 billion | One of the largest wireless and internet providers in Canada with around 11.7 million subscribers. |
| Telus Corp. (TSX:T) | \$44.2 billion | Large wireless service provider with 9 million subscribers. |

11. Real Estate

As you might expect, the [real estate sector](#) is made up of companies who develop and operate real

estate properties, such as shopping mall developers, property groups, public storage facilities, and even apartment landlords. In addition, you'll find real estate investment trusts (REITs) included in this sector, too.

| Real Estate Stocks | Market Cap | Description |
|---|----------------|---|
| Brookfield Asset Management (TSX:BAM.A) | \$97.8 billion | Real estate company that manages commercial property, power, and infrastructure assets. |
| Choice Properties REIT (CHP.UN:CA) | \$4.91 billion | Large REIT that manages and develops retail and commercial properties. |

How to use stock market sectors to your advantage

At first glance, breaking the economy into stock market sectors may seem like a dry, boring job that's only beneficial to market analysts and economists. And, in some regards, it is. But for individual investors, stock market sectors can come in handy for one big reason: achieving portfolio diversification.

As an individual investor, one of your goals is to build a portfolio that capitalizes on market gains while minimizing losses. Diversification, or investing in more than one market sector, helps you achieve that by spreading your money across numerous parts of the economy. This can help hedge losses during a market downturn or recession, as bad times affect the 11 market sectors in different ways.

Conversely, if you invest the majority of your money in stocks of just one sector (say, information technology), you could take a major loss if a market downturn hits your sector specifically.

For that reason, your portfolio will be stronger if you create the right blend of stocks. For example, you may dedicate a portion of your money to growth-oriented companies in the information technology and consumer discretionary sectors, which could help you earn immense gains.

At the same time, you could decrease volatility within your portfolio by investing in stocks of a more stable nature, such as those in the utilities, consumer staples, and financial sectors.

TICKERS GLOBAL

1. TSX:ABX (Barrick Mining)
2. TSX:AND (Andlauer Healthcare Group Inc.)
3. TSX:BCE (BCE Inc.)
4. TSX:CNQ (Canadian Natural Resources Limited)
5. TSX:CNR (Canadian National Railway Company)
6. TSX:CSU (Constellation Software Inc.)
7. TSX:DNTL (dentalcorp Holdings Ltd.)
8. TSX:DOL (Dollarama Inc.)
9. TSX:ENB (Enbridge Inc.)
10. TSX:FTS (Fortis Inc.)

11. TSX:H (Hydro One Limited)
12. TSX:L (Loblaw Companies Limited)
13. TSX:MG (Magna International Inc.)
14. TSX:NTR (Nutrien)
15. TSX:QSR (Restaurant Brands International Inc.)
16. TSX:RY (Royal Bank of Canada)
17. TSX:SHOP (Shopify Inc.)
18. TSX:T (TELUS)
19. TSX:TD (The Toronto-Dominion Bank)
20. TSX:WCN (Waste Connections)

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