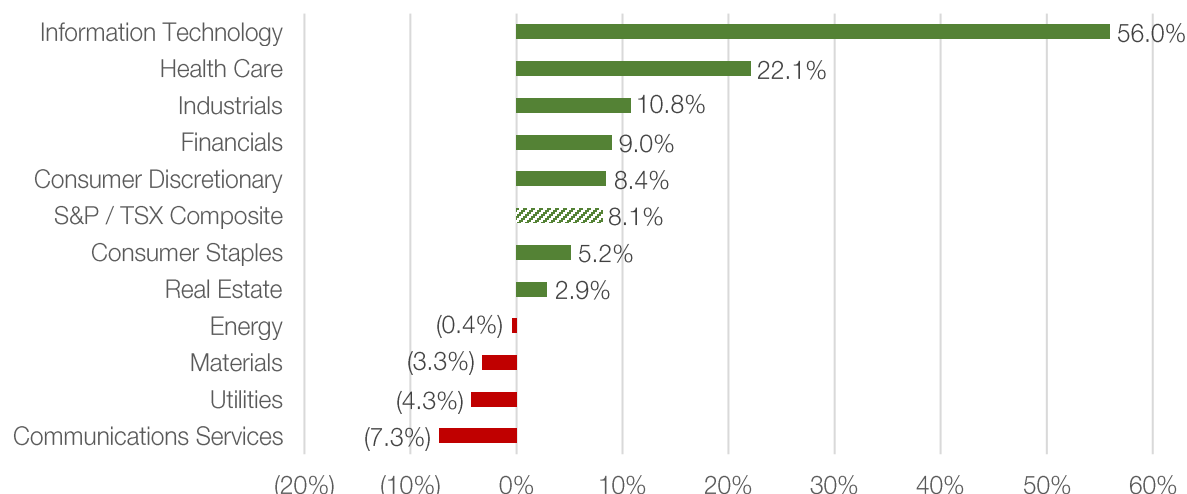# 2023: Strong Q4 boosts TSX Composite to yearly gain

Information Technology is leading sector driven by strong recovery from Shopify

2023 Capped Sector Performance

Sector	Performance
Information Technology	56.0%
Health Care	22.1%
Industrials	10.8%
Financials	9.0%
Consumer Discretionary	8.4%
S&P / TSX Composite	8.1%
Consumer Staples	5.2%
Real Estate	2.9%
Energy	(0.4%)
Materials	(3.3%)
Utilities	(4.3%)
Communications Services	(7.3%)

2023 Highlights

- The S&P/TSX Composite returned +7.3% in Q4 and +8.1% for the full year.

- Of the 243 stocks that were in the TSX Composite at some point during 2023, 131 (54%) recorded a gain.

- For 2023, large caps (S&P/TSX 60) performed best followed closely by mid-capitalization (S&P/TSX Completion) with small caps (S&P/TSX SmallCap) lagging.

- In 2023, the Canadian market underperformed the US market in home currency terms (US returned +24.2%) and in Canadian dollar terms (US market returned +21.3% in C$ terms).

- Information Technology was the best performing sector in 2023, largely driven by Shopify and Constellation Software which occupied the top two spots on the overall contributor leaderboard.

- Health Care (with its tiny weighting in the index), Industrials, Financials (with its very large weighting) and Consumer Discretionary also performed better than the overall market. Four of the top ten contributors came from the Financials sector, though none of them were banks.

- Three of the top five biggest detractors came from the Materials sector though overall the sector only delivered a moderate loss.

2023 Index Returns	Q4	YTD
S&P/TSX Composite	+7.3%	+8.1%
S&P/TSX 60 (Large Cap)	+7.9%	+8.2%
S&P/TSX Completion (Mid Cap)	+4.7%	+7.7%
S&P/TSX SmallCap	+5.3%	+2.1%

2023 Biggest Contributors	2023 Biggest Detractors
Shopify	Nutrien
Constellation Software	First Quantum Minerals
Alimentation Couche-Tard	Enbridge
Thomson Reuters	Cenovus Energy
Brookfield Corporation	Franco-Nevada Corporation
Canadian Natural Resources	BCE
Great-West Lifeco	Toronto-Dominion Bank
Cameco Corporation	TELUS
Fairfax Financial	Northland Power
Manulife Financial	Tourmaline Oil

Sector	2023 Returns	Biggest Impacts
Information Technology 9% of S&P/TSX Composite	+56.0%	• Shopify (+119%) led TSX Composite contributors as a run of better-than-expected earnings reports, annual revenue growth projected in the mid-20s percentage range and margin expansion aided by the sale of its logistics business helped the company gain back almost half its 2022 share price losses. • Constellation Software (+55%), CGI (+22%) and Open Text (+39%) ranked second through fourth among sector contributors, reflecting positive sentiment towards technology companies in 2023.
Health Care <1% of S&P/TSX Composite	+22.1%	• Bellus Health (+76%) led sector contributors after agreeing to a takeover from UK biopharma GSK. • Chartwell Retirement Residences (+39%) and Bausch Health Companies (+25%) ranked second and third, respectively, among sector contributors in 2023. Bausch Health benefited from a US court ruling that essentially upheld its patent rights on gastro-intestinal drug XIFAXAN until 2029.
Industrials 14% of S&P/TSX Composite	+10.8%	• Thomson Reuters (+25%) led sector contributors with most of the gains coming in Q4 following a strong quarterly earnings report and riding the tailwinds of overall market strength in Q4. • Waste Connections (+10%) ranked second among sector contributors as it gained strongly in Q4, likely as a result of a decline in oil prices, which is a major operating cost for the company. • Stantec (+64%) was the third leading sector contributor on a series of quarterly earnings beats and on raised full-year guidance in conjunction with its November earnings announcement.
Financials 31% of S&P/TSX Composite	+9.0%	• Brookfield Corporation (+25%) was the leading sector contributor based on a Q4 surge in the stock as a 'risk-on' environment returned to the stock market. • Life insurers Great-West Lifeco (+40%), Manulife Financial (+21%) and Sun Life Financial (+9%) ranked second, fourth and tenth, respectively, among sector contributors, driven by share price gains in Q4. • Fairfax Financial (+52%) ranked third among sector contributors, as it appears poised to more than triple earnings versus last year. • Bank stocks were mixed with Royal Bank (+5%), CIBC (+16%) and Bank of Montreal (+7%) ranking fifth, sixth and eighth, respectively, among sector contributors while Toronto-Dominion Bank (-2%) and Bank of Nova Scotia (-3%) ranked first and second, respectively, among sector detractors.
Consumer Discretionary 4% of S&P/TSX Composite	+8.4%	• Restaurant Brands International (+18%) led sector contributors, as share prices surged in Q4, likely driven by economic soft landing hopes and moderating food price inflation. • Dollarama (+21%) was second among sector contributors, with earnings topping analyst expectations for four straight quarters, as inflation caused consumers to trade down to lower priced stores.
Consumer Staples 4% of S&P/TSX Composite	+5.2%	• Alimentation Couche-Tard (+31%) led sector contributors, on positive market reaction to its deal to acquire 2,193 gas stations and convenience stores in Europe from TotalEnergies and on delivering three consecutive quarterly earnings results that beat consensus analyst expectations to end the year.
Real Estate 2% of S&P/TSX Composite	+2.9%	• FirstService Corporation (+29%) and Colliers International (+35%) ranked first and second, respectively, among sector contributors as the sector benefited from a peak and then a Q4 reduction in interest rates and the market perception that the economy would avoid a recession.
Energy 17% of S&P/TSX Composite	-0.4%	• Higher interest rates weighed on the share price performance of pipelines with Enbridge (-10%) and TC Energy (-4%) ranking first and fourth, respectively, among detractors from the sector. • Lower energy prices (the S&P GSCI Energy index fell -15% in 2023) caused Cenovus Energy (-16%) and Tourmaline Oil (-13%) to rank second and third, respectively, among detractors from the sector. Canadian Natural Resources (+15%) and Imperial Oil (+14%) ranked first and third among contributors from the sector despite weak energy prices, supporting their stocks with large share buybacks. • Cameco (+86%) ranked second among contributors from the sector on surging uranium prices.
Materials 11% of S&P/TSX Composite	-3.3%	• Nutrien (-24%) ranked first among index detractors as weak agricultural commodity prices (GSCI Agriculture index was down -18% for the year) weighed on fertilizer demand. • First Quantum Minerals (-62%) ranked second among sector detractors as operations were halted at its Cobre Panama mine. A royalty deal with Panama's government sparked widespread protests and the law enacting it was deemed unconstitutional by the country's high court. Franco-Nevada (-20%), which holds rights to gold and silver production from the mine, ranked third among sector detractors.
Utilities 4% of S&P/TSX Composite	-4.3%	• Higher interest rates weighed on this traditionally high dividend yielding sector with 11 of the 16 components lower on the year. Northland Power (-35%) and Innergex Renewable Energy (-43%) were the two leading sector detractors while Hydro One (+9%) was the leading sector contributor.
Communications Services 4% of S&P/TSX Composite	-7.3%	• Higher interest rates weighed on this traditionally high dividend yielding sector with BCE (-12%) and TELUS (-10%) ranking first and second, respectively, among sector detractors in 2023. Both companies are expected to deliver annual earnings below prior year levels in 2023 which is likely also weighing down sentiment about these companies shares.