Market Crash 2020: TSX Stocks Suffer Worst Decline Since 1987

**Description**

On March 9, 2020, Canadian equity markets witnessed a bloodbath. The **S&P TSX 60 Index ETF** (TSX:XIU) slumped 10.7% to close trading at $21.68. Major global markets around the world were impacted as the oil price war between Saudi Arabia and Russia escalated and sent crude oil prices lower by 30%.



Russia seems unwilling to cut production and Saudi Arabia has responded in kind which means an all-out price war is on the cards. Russia was initially concerned over the growth of U.S. shale oil production and reluctant to cut production as it would further increase the latter's market share.

Though oil prices have somewhat recovered, it has driven the XIU back to 2015 levels and wiped out major gains. The Canadian stock market has a huge exposure to the energy sector and was expected to move significantly lower yesterday.

XIU has exposure to large-cap Canadian companies. It is the largest and most liquid ETF in the country. Let's take a look at which stocks drove the ETF lower yesterday.

## Enbridge stock is down 16.2%

Canada's energy heavyweight **Enbridge** fell 16.2% to $42.7 a share. The stock is now up just 4.3% in the last year, compared to the **S&P 500** gains of 6.8% in this period. Other energy stocks such as **TC Energy, Suncor, Canadian Natural Resources, Cenovus,** and **Inter Pipeline** were down 11.3%, 17.8%, 29.2%, 52%, and 23.4% respectively.

In case the cartel alliance between Saudi Arabia and Russia is over, investors can expect more volatility in oil prices and stock prices. The **Energy Select Sector SPDR** fell a staggering 20% yesterday and is down 44% year-to-date.

Some analysts expect oil demand to fall by as much as 50% and given the impact of the coronavirus outbreak and an impending economic slowdown stock prices may move even lower.

Yesterday, I warned investors to stay away from energy stocks such as **Pason Systems** and **Enerflex**. Pason and Enerflex both fell about 21%.

## Banking stocks are crumbling

While energy stocks bore the brunt of the stock market sell-off, Canada's top five banks were also down significantly. **Royal Bank of Canada, Toronto Dominion, Bank of Nova Scotia, Bank of Montreal**, and the **Canadian Imperial Bank of Commerce** are down 8.4%, 12.3%, 11.5%, 13.3%, and 13.7% respectively.

Canadian banks have significant exposure to the energy sector and this pullback was in line with expectations. The high debt levels of Canada's energy companies have investors concerned and lower oil prices will further put company financials under strain.

## What next for investors?

The XIU is down 15.4% year to date. South of the border, investors have lost trillions of dollars as the Dow Jones and S&P 500 have declined over 17% in 2020. Global consumer demand might continue to fall as ongoing coronavirus fears hurt businesses. Canadian airline stocks such as **Air Canada** have fallen close to 40% in 2020 as global air traffic is at a multi-year low.



Last week, the Bank of Canada cut interest rates by half a percentage point to 1.25% to help boost consumer demand and offset the impact of the outbreak. However, the weakness in the equity markets might continue to hurt investors in 2020.

**CATEGORY**

1. Bank Stocks
2. Energy Stocks
3. Investing

**TICKERS GLOBAL**

1. TSX:XIU (iShares S&P/TSX 60 Index ETF)

**PARTNER-FEEDS**

1. Business Insider
2. Msn
3. Newscred
4. Sharewise
5. Yahoo CA

**Category**

1. Bank Stocks
2. Energy Stocks

3. Investing

**Date**
2025/09/11
**Date Created**
2020/03/10
**Author**
araghunath