



TSX Plunges 688 Points — But the 20% Losses Are Even More Startling

Description

The **S&P/TSX Composite Index** closed at 14,270.10 on March 11, 2020, or nearly 4.6% worse than the previous trading day. But since the sell-off began in late February, total losses have reached 20%. Because of this high percentage drop, the stock market has technically entered the bear market.

Alarm bells

With more global economies feeling the pinch of the coronavirus outbreak, one of the Big Five banks in Canada is sounding the alarm bells. **Bank of Nova Scotia** ([TSX:BNS](#))([NYSE:BNS](#)) or Scotiabank is warning of a reasonably mild recession.

A chief economist at the bank said the Canadian government needs to deploy targeted fiscal measures in the immediate future to [defeat the impact of the virus](#). Prime Minister Justin Trudeau already intimated the possibility of using the same measure employed by the government during the 2008-09 financial crisis.

Slower GDP growth

The bearish sentiment from Scotiabank is the first from the banking sector, although more banks are due to release their forecasts. Aside from the **TSX** falling by as much as %, the oil price collapse would have more severe implications.

Scotiabank is predicting that an absence of a significant stimulus will result in a gross domestic product contraction (GDP) in Q2 and Q3. Thus, Canada's GDP growth could fall to 0.3% in 2020. The third-largest lender in the country, however, is confident the Trudeau government will use every means to avert a recession.

No stranger to recession

Investors are presently looking for the [best places to invest](#). Scotiabank has seen the best of times and endured the worst. The 188 years dividend track record of this \$70.92 billion bank also speaks volumes.

During the 2008 recession, Scotiabank put a halt on dividend growth but did not implement a cut. Over the last nine consecutive years, the bank increased its dividends. The current yield is a high 6.25%, and Scotiabank is likely to keep the payout ratio at less than 50%.

Aside from Canada and the U.S., Scotiabank has a market presence in over 50 countries worldwide. The number of offices and branches, domestic and across the border, stands at more than 3,100. Last year, nearly 50% of net income came from Canadian banking, with the U.S. and international markets contributing the rest.

The latest news about Scotiabank is the plan to broaden its innovation ecosystem. In sealing partnerships with C100 and MaRS, the bank would enable the growth and expansion of emerging technologies through funding support.

Funding stimulus

In all likelihood, the government will use federal financing agencies to stimulate the economy. According to the Scotiabank economist, the measure might not prevent a recession. The total stimulus package should be around \$20 billion or at least 1% of GDP.

It's also predicted that the Bank of Canada will implement a 0.25% interest rate cut by June this year. In 2009, the central bank made an emergency policy decision.

Meanwhile, the markets will remain in a state of utter confusion. The prudent move for investors is to let the carnage pass and wait for things to settle down.

CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Investing

TICKERS GLOBAL

1. NYSE:BNS (The Bank of Nova Scotia)
2. TSX:BNS (Bank Of Nova Scotia)

PARTNER-FEEDS

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

Category

1. Bank Stocks
2. Dividend Stocks
3. Investing

Date

2025/08/19

Date Created

2020/03/16

Author

cliew

default watermark

default watermark