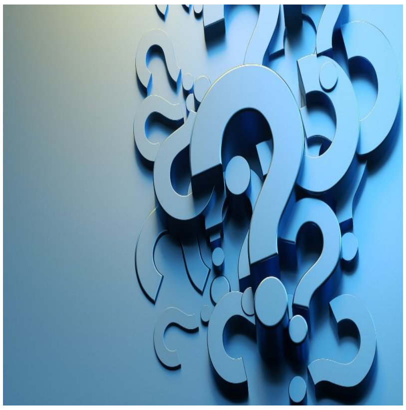

Stock Market Crash 2020: Where to Invest $5,000 Right Now?

Description

The stock market crash of 2020 continues to weigh heavily on investors. Equity markets are in freefall and the **iShares S&P/TSX 60 Index ETF** has fallen over 30% from record highs.

The Federal Reserve has cut interest rates to zero as consumer spending has come to a standstill. China was the epicentre of the COVID-19 and the country's economic data for the first two months of 2020 have rightly spooked investors.

According to Trading Economics, China's Industrial Production has slumped 13.5% year over year, while retail sales are down 20.5% and fixed asset investment has fallen 24.5% in the first two months. Total vehicle sales for the month of February fell 79% to just 310,000 units, China's "steepest decline on record."

According to the World Health Organization, the epicentre of the COVID-19 is now Europe, Investors can also expect a significant decline in consumer and enterprise spending here, which means the upcoming quarterly results of companies in North American and Europe will be considerably lower than earnings estimates.

While the global number of coronavirus cases continues to increase, investors need to realize that this is most likely a short-term development. China and South Korea are slowly limping back to normalcy, and the same can be expected once governments worldwide try to contain the virus spread.

While I had warned investors to expect the worse earlier this month, this stock market crash has been unprecedented. Equity markets are expected to remain volatile over the next few months. However, a 30% decline is a massive pullback and provides investors with an opportunity to buy stocks at attractive valuations.

But where do you park your funds given most industries are grappling with slowing demand and with interest rates at all-time lows? Companies in the airline, banking and oil sectors, among others, have lowered their forecast. There is one sector that has outperformed equity markets recently.

Is it time to bet on retail chains in the stock market crash?

Canadian retail companies such as **Dollarama** (TSX:DOL) and **Loblaw** (TSX:L) have fallen by 10.6% and 9.1%, respectively in the last one month, compared to the 30% fall across major indexes.

Several countries are closing their borders and limiting air travel. There has been a nationwide lockdown as major events including sports, concerts and social gatherings have been canceled. However, countries can't afford to shut down supermarkets, retail chains and pharmacies, as these are essential for survival.

The global populace needs to eat, drink and have access to medical supplies, which means grocery stores and pharmacies will remain open, no matter what.

Dollarama and Loblaw will also benefit as consumers resort to panic buying and stocking up on supplies amid an uncertain environment.

Dollarama is Canada's largest thrift store operator with 1,271 outlets across the country. The low product prices will attract consumers and help offset lower footfalls.

Loblaw has over 2,500 stores in the country and they have a store within 10 kilometres of 90% of Canadians. It acquired Shoppers Drug Mart, one of Canada's leading pharmacies, back in 2014.

Loblaw has a dividend yield of 2%, while this figure stands at 0.5% for Dollarama. Other defensive stocks that can be considered by investors in this stock market crash include **Walmart, Cascades** and **Alimentation Couche-Tard.**

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:DOL (Dollarama Inc.)
2. TSX:L (Loblaw Companies Limited)

PARTNER-FEEDS

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

Category

1. Dividend Stocks
2. Investing

Date
2025/08/24
Date Created
2020/03/17
Author
araghunath