Here’s What to Do If the TSX Stock Market Recovers in 2020

Description

Stock markets, including the **Toronto Stock Exchange** (TSX), have undergone through the worst market sell-offs. However, markets bounce back every single time, as proven in recent recessions. While the coronavirus outbreak plus plummeting oil prices are exacting a heavy toll in Canada, recovery is not out of the question.

S&P/TSX yearly returns

I won’t venture a guess as to when the market will recover, but I would like to maintain my optimism regarding the TSX’s ability to rally after a market crash. Historical statistics will bear me out.

In 2001 and 2002, Canada’s main stock market underperformed. The index suffered two consecutive years of losses. The losses were 13.94% and 13.97% in 2001 and 2002, respectively. But the TSX won’t be denied the rally in 2003, as it posted gains of 24.29%.

Similarly, the losses in the year of the financial crisis were staggering. The TSX registered a 35.03% loss in 2008. In the following year, the index rose by 30.69% to post its biggest yearly gain for the period from 1988 to 2019.

Recovery period

The problem with a rapidly changing market is that it scares investors and encourages selling time. Some fund managers warn clients if the value of investments falls by 10%. One sound advice is to resist the urge to sell if you don’t have an urgent need for the money.

If you’re deriving income from dividend stocks, consider taking out only the money you need. It should give your capital time to recover. Taking too much too soon could ruin your long-term financial goals. Besides, dividend payouts should continue even during a bear market.

Stay invested, buy low and sell high

A Barclay Equity Gilt Study reveals that stocks outperform cash 91% of the time. Also, if you have spare money to invest, many stocks are selling at rock-bottom prices. Bargain hunters take advantage of the buying opportunities. The global economies and stock markets should recover quickly when the spread of the coronavirus eases.

Dividend story

In the energy sector, shares of **Husky**, **Baytex**, and **Vermilion** (TSX:VET)(NYSE:VET) are getting beaten severely. The attraction for bargain hunters, however, is the high dividend. Vermilion is a well-known high-yield stock. The price per share is $2.47, but this energy stock pays a 42.91% dividend.

These are extraordinary times, so the yield is quite ridiculous. If you have high-risk tolerance, you can put your idle cash into good use. A $5,000 investment would produce an income of $2,145.50.

According to Vermilion President and CEO Tony Marino, the emergence of COVID-19 is an unanticipated event. The outbreak is altering individual business and government behaviour. However, Marino believes the virus will not change the long-term prospects for the oil and gas industry.

The worry is more about oil prices. Vermilion lost momentum in early 2020 after generating record cash flow, production, and reserves last year. Now the recovery period has been pushed back.

Rule of thumb

Keep your cash and don't invest in super high-yields stocks like Vermilion if you're not ready to take the risk. Invest when normalcy is returning and follow the rule of thumb. Buy low and sell high.

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