Market Crash 2020: Bank on This Stock!

Description

As the COVID-19 pandemic continues to spread, there's a lot of uncertainty in the markets. Concerns over the impact of the virus on the economy have triggered a massive sell-off. So, as a result of this market crash, there are a tonne of high-quality stocks that are on sale now. That is, if you have a long investment horizon, of course.

default watermark

We've observed time and time again the markets recover. Generally, bear markets last about 12 months. Sure, COVID-19 presents unique challenges, but pundits often find their foot in their mouth when claiming, "but this time, it's different!"

Now, some businesses could be in serious trouble. For instance, businesses in the food service industry that operate on razor-thin margins and rely on plenty of foot traffic are likely to be in a rough spot.

So, it's important to not just buy *anything* that seems cheap during a market crash. The long-term investor must remain focused on strong and healthy businesses that can weather the storm and continue growth in the future.

Today, we'll take a look at one stock you can bank on during the market crash.

Scotiabank

Bank of Nova Scotia (TSX:BNS)(NYSE:BNS) is one of Canada's largest banks. It provides a wide array of banking services to both individuals and businesses alike. Beyond its positioning in Canada, it also has a surging presence in the U.S. and Latin America.

As a major Canadian bank, BNS is a premier blue-chip stock. It has a great track record for increasing dividends as well as growth in the share price.

Plus, with the recent market crash, shares of BNS are simply dirt cheap. As of writing, it's trading at $46.72 and yielding a whopping 7.7%.

With lower rates and economic pressures ahead, margins should slim down for BNS. But with its strong balance sheet, it should continue to pay its dividend.

Although past performance isn't the be-all-and-end-all indication of future performance, it can give us some insight into the tendencies of a company. In that, we might be able to see how it tends to respond to market crash challenges.

Looking back at the 2008 crisis, Scotiabank did have to cut its dividend payout slightly, but by 2011 it was higher than before the crisis and has been growing since.

Even if the payout falls incrementally, investors are still capturing a mammoth dividend yield. At 7.7%, an investment of $20,000 would generate over $1,500 in dividends in a single year.

If you have cash to park for the long term, Scotiabank is a great option. Not only will the yield absolutely destroy anything you'll get from a savings account, but there will also be upside in the share price as markets recover.

default watermark

Consider that BNS was trading at $74.04 as recently as February 6. From current levels, getting back to that price would represent about a 60% gain. So, over time, not only do you collect a massive dividend, but simply returning to pre-market-crash levels will mean a 60% gain on your principal investment.

Market crash strategy

With ample cash in hand, investors can score deals during a market crash. However, it's important to pick strong and healthy companies to invest in during these tough times. Scotiabank is one such blue-chip stock. As a major player in Canadian banking, it offers investors not only a great yield but also stability.

CATEGORY

1. Bank Stocks
2. 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. Investing

Date
2025/07/01
Date Created
2020/03/24
Author
jagseguin

default watermark

default watermark