Damage Control: 3 Ways to Rebuild After a Vicious 2020 Market Crash

Description

Governments around the world are implementing measures to keep economies afloat in the wake of the coronavirus backlash. In Canada, the rescue package amounts to a staggering $82 billion. Will the financial stimulus be enough? It might not be, unless we see a significant flattening of the coronavirus curve.

If you look at the cumulative cases, Canada is showing a similar trajectory as most countries. The number of cases isn't sobering. On the stock market, the TSX posted an eight-year low of 11,228.50. However, the index is on a three-day rally as I write this piece.

Assessing the extent of damage to the financial sector is not yet possible. But as the progression of infections continues, more damage control is in order. The following are three ways the TSX can stabilize, reboot, and rebuild from a vicious 2020 market crash.

Blanket relief on rules

TMX Group is taking the first step. The company that runs the Toronto Stock Exchange (TSX) and the TSX Venture Exchange (TSXV) is loosening some rules to aid publicly listed companies to deal with the COVID-19 pandemic.

The changes shall automatically apply to companies listed on both exchanges. Companies are given more time to hold annual general meetings (AGMs) and obtain approval from shareholders regarding security-based compensation plans.

TSX companies need not notify the exchange in case more time is needed to file financial statements. Some adjustments were also made on delisting and share-buyback criteria.

Reduced capital spending

The government of Canada is paying special attention to the oil and gas sector, which is in a very challenging situation. The stocks in this sector are fighting two wars: coronavirus and oil prices.

Top names such as **Cenovus**, **Husky**, and **Suncor** (TSX:SU)(NYSE:SU) are slashing spending reductions. The reduction in capital spending for 2020, so far, is between $5.3 and $6.5 billion.

With demand falling drastically, Suncor announced a spending cut of $1.5 billion. According to its CEO Mark Little, the proactive move to adjust spending and operational plans will ensure the company can endure in case the market disruption extends longer.

In the Fort Hills oil sands mine, the operations will scale back. Also, share buybacks are suspended to preserve cash. Suncor was able to obtain $2.3 billion in additional liquidity from its key lenders. Luckily, there is no maturing debt in 2020.

The loss of this energy stock year to date is 57.43%. But CEO Little assures investors that Suncor's business model and financial strategy are designed to withstand volatile environments.

Decisive action

The coronavirus outbreak is sparing no industry in Canada. Many companies are curbing operations, and it is causing the economy to grind slowly. Thus, decisive action is necessary.

Finance minister Bill Morneau sees the urgent need to arrest the oil patch. The government is working to have credit opportunities for small- and medium-sized energy firms. Another remedy is for the government to inject more funds into the banking system to loan to businesses and help with their recovery.

All the right moves

There is no single tool to fix the messy situation Canada is in right now. But the steps being taken so far are the right moves to get on track.

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