TSX Stock Investors: The Market Crash Isn’t Over Yet

Description

The **TSX Composite Index** sank 2.4% midweek on news that the domestic economy in March contracted by 9% month over month. The TSX has now lost 19.9% in the last three months. Banks and energy stocks led the dip. Meanwhile, food stocks that have proven popular, such as **Loblaw** and **Alimentation Couche-Tard** remained steady and even saw slight gains.

Statistics Canada estimated that Canadian monthly GDP could have declined the most since its reports series began. The economy has essentially stalled, and investors are likely facing a recession situation. If the pandemic lockdown continues without a vaccine in sight, an economic depression could emerge. And beyond that, the threat of a credit bubble looms.

Earnings season will be a rough ride for stocks

So much for the rally. It seemed inevitable that volatility would continue to rattle the markets. The idea that the coronavirus might have reached its peak buoyed investors, though, and so, too, did the unsustainable momentum of the bear market rally itself.

Earnings season is almost upon us, however. Anyone assuming that this round of reporting will be business as usual is in for a shock. The coronavirus market crash could very well get a replay as entire sectors turn in historic losses. Indeed, an even worse market crash may be hot on the heels of the coronavirus.

Suncor Energy and **BMO** fared especially poorly midweek, ditching single figure losses deeper than the market’s. These sorts of names are looking like prime targets for trimming from a stock portfolio.

Hydrocarbon energy is looking especially weak. Banks, even the sturdiest of the Big Five, are highly cyclical and have proven vulnerable to market forces. Again, these are names to consider reducing in a long-term portfolio.

Value and momentum investors are helping cause these unwarranted peaks. But wary investors are holding cash . In fact, depending on how bearish one is, there's arguably never been a better time for upgrading a stock portfolio. Investors have opportunities to get in at ground level in wish list names.

Some names have soared year on year. Notable stocks include **Barrick Gold** and **Shopify**. Barrick is up 42% since this time last year.

Meanwhile, Shopify, one of Canada's best tech stocks, is up 36%. Gold has remained stolidly defensive, with names like **Franco-Nevada** soaring 30% since 2019. Shopify's online store model is also proving popular with investors.

Then there are the losers. Suncor has lost 50% of its share price since April 2019, making it a stock to avoid. BMO has lost 30%. These stocks consistently underperform the market and look more like falling knives than tasty bargains. **Scotiabank** and **CIBC** have also each lost 25% of their share price in the last 12 months.

The bottom line

Investors reacted badly to news of the contraction. This is likely to be the start of a pattern that will be repeated throughout earnings season.

Investors will see dips and rallies and should make use of them, rather than waiting for the bottom. Keeping cash on hand is advisable right now, allowing investors to buy must-have names at increasingly better value.

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