



Yes, the Market Will Recover — But Here's Why It Could Crash More

Description

Even the most pessimistic of experts and market analysts know the market will eventually recover — the only question is when. However, some believe the market will crash even more, while others believe it's already on the path to recovery. It's better to plan for the worst, so let's take a look at some of the reasons why the market could crash more.

Pandemic vs. the stock market

The stock market is currently resonating with the news and the public's perception of the current situation. There are signs that the pandemic's curve is flattening in some of the worst hot spots of COVID-19, giving people hope and augmenting the belief that things will get better soon. While the worst of virus maybe (hopefully) behind us, the worst of the market crash may yet to come.

The government is helping people and businesses, but that won't last forever. If the fear of coronavirus or a general fear of recession keeps demand low for a few more months, many more businesses may find themselves bankrupt. Also, if the projected GDP fall of 30% increases to 50%, the market might drop again — even worse than it did in the month of March.

Many hopes are pinned on the early discovery of a vaccine. If it's delayed or the virus mutates faster than scientists are expecting, the pandemic may rage on for quite a long time. The result will not be a few sharp falls; instead, a continuous downward slope at a shallow angle, which could be even deadlier.

Hope for recovery

While the hope of recovery is there, it isn't as strong yet. Still, rather than pondering on the worst-case scenario, you can salvage some good out of this grim situation, and set the target on some of the stocks you will buy at recovery.

One of those stocks could be **Pembina Pipeline** ([TSX:PPL](#)). The pandemic and the oil war combined

made the oil one of the deepest [falling sectors](#) on the **TSX**.

Pembina's stock fell by 56%, but it's now on the recovery track. Still, the current price of \$28.56 per share is about 44% down from its value in February. As a Dividend Aristocrat, it increased its payouts for nine consecutive years.

Before the crash, it was also one of the most [steadily growing](#) energy stocks whose share price increased by 76% between 2016 and 2020 before the crash.

Foolish takeaway

Hope is a good thing. But foolish hope might be worse than blatant pessimism. It doesn't matter whether you are hopeful that the market has already started recovering or whether you think that it will still take some time to get back on its tracks — just exercise caution.

If you're planning on buying on the dip, there's a good chance you'll see another major dip in the near future.

CATEGORY

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Date

2025/07/21

Date Created

2020/04/17

Author

adamothonman

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