Why the Market Rally Won’t Last

Description

There’s a lot of excitement in the markets as stock prices are gaining steam again and many have even recovered from the losses that they incurred last month. There’s just one problem: This latest market rally isn’t going to last.

The worst is still to come

The obvious reason why the market rally isn’t going to save stocks — it’s far too early. There’s a lot of bullishness in the markets because there’s been progress on possible treatment options for the coronavirus and that there may start to be some light at the end of the tunnel.

But even if there is a treatment available that helps prevent deaths, the long-term solution is still a vaccine, which could be more than a year away. Some experts have said that 18 months is far too early of a timeline for any vaccine to ensure that it’s adequately tested and safe.

That means for the economy to get anywhere near 100% may take at least two years. In the meantime, there will be a recession, housing prices will fall, job losses will mount, and both Canadian and U.S. economies will struggle. It will be an accomplishment if either economy doesn’t fall into a depression.

The Canadian Centre for Policy Alternatives estimates that the unemployment rate in Canada could fall to a 70-year high as of 13.9%. In Alberta, the Premier said he won’t be surprised if the province’s unemployment rate climbs above 25% as it deals with not just a slowing economy but low oil prices as well, potentially crippling an already beaten-down oil and gas industry.

These are still early estimates, and things can get a whole lot worse. Opening up the economy too soon and potentially allowing the coronavirus pandemic to take even longer to contain will only exacerbate these issues.

Investors may look back on this market rally as nothing more than a blip on the radar. Stocks don’t often go straight down, there are points where the get a boost and then continue to slide further down, which will likely happen here as well.

What can investors do?

There's one place that investors can invest in that should remain safe, and that's in utility stocks. **Fortis Inc** (TSX:FTS)(NYSE:FTS) is one of the strongest stocks the TSX has. It pays a dividend and is likely to remain strong whether the market rally continues or if the market crashes again. Its services are essential and if people are staying at home more, there may even be in greater demand.

In 2o19, Fortis managed modest sales growth of 4.7% and the year before that its top line was up a more modest 1.1%. Over the years, Fortis has grown via acquisition, but even if that's not an option moving forward, its revenue should still be fairly consistent, whether there's a downturn or not.

The company's also had no trouble posting a profit over the past decade. Its profit margin has remained over 10% in four of the past five years. There's a lot of buffer there for Fortis to absorb some costs if it runs into adversity in the near future.

Currently, Fortis pays investors a dividend which yields around 3.5% per year. It can be a valuable source of cash flow for your portfolio and help you offset any potential losses you may incur with other investments.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:FTS (Fortis Inc.)
2. TSX:FTS (Fortis Inc.)

PARTNER-FEEDS

1. Business Insider
2. Msn
3. Newscred
4. Sharewise
5. Yahoo CA

Category

1. Dividend Stocks
2. Investing

Date
2025/07/02
Date Created
2020/04/21

Author
djagielski