



## Another Market Crash: What's the Probability?

### Description

We may look at previous market crashes for guidance on how to navigate this one, but they were instigated by very different factors. If the pandemic was the primary cause of the global economy crashing, that's what we will have to look at for more clues about the future.

Here is where we stand now. Major economies around the world are slowly reopening. People are still a little shaken up and fearful, but they have started returning to work. The curve is starting to flatten in eight out of the 10 most affected countries in the world. All in all, it looks like we are returning to normalcy. But that's if a second wave doesn't hit.

### Second wave and another crash

Several medical experts claim that a second, and possibly a third wave of the pandemic is likely to hit countries across the globe. The virus won't be under control until either a vaccine is developed and deployed, or 60% to 70% of the population has been infected. Since the earliest estimates of a vaccine are for 2021, the case for a second wave is strong.

And that's not the worst of it. During the last pandemic, the second wave was much worse than the first. It was responsible for the bulk of the deaths during that pandemic. And if people aren't more careful with the current easing of restrictions, it could be the case for this pandemic as well. If that happens, a mix of government-imposed lockdowns and fear in the general population might trigger another, worse market crash.

### What should investors do

Stay prudent. It's true that investment fortunes are made in market crashes. And investors should look for amazing stocks if they are trading at dirt-cheap prices during a crash. But don't push the boundaries of your risk tolerance. One way is to look for companies that have recovered faster than others in the March crash.

Take **Tecsys** ([TSX:TCS](#)), for example. It's a supply chain software provider and has been in the business since 1983. This \$380 million market cap company is still not near the valuation it had in the 2000s, but it has been [steadily growing](#) for about a decade. It returned over 160% to its investors in the past five years.

Its stock price fell by over 32% from its value at the start of the year, but it made a swift recovery. It now trades for \$24.46 per share, which is 14% up year-to-date, as of writing. The company doesn't have a lot of debt, and it's well-positioned to take advantage of the current wide-spread disruption of supply chains. It's not purely a [safety stock](#), but even in a lockdown, software companies tend to fare better than others.

## Foolish takeaway

If another crash is imminent, you can't boost your chances of survival by starting a selling frenzy. What you can do is analyze your portfolio and underlying assets for their chances of recovery. And if you have additional funds, you can look into buying amazing stocks when they are trading below their fair value. When they recover, they can offset any possible losses from your other investments.

### CATEGORY

1. Coronavirus
2. Dividend Stocks
3. Investing

### TICKERS GLOBAL

1. TSX:TCS (Tecsys Inc.)

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