A More Severe TSX Stock Market Selloff Looms

Description

Public health officials are warning of a second wave of the coronavirus. The announcement is worrying, as it could prompt a second round of a market selloff as well. The possibility is strong, and investors must watch out for the triggers. If it happens, the next TSX stock market crash could be more severe.

The second wave of COVID-19

A market crash occurs for a variety of reasons. In the current setting, COVID-19 is the stumbling block to any market rebound. As of May 16, 2020, the total number of confirmed cases in Canada is 75,853. About 7.5%, or 5,679, of patients have died.

With several regions lifting lockdowns, a second wave is inevitable. That is the assessment of Dr. Gerald Evans, medical director of infection control at the Kingston Health Sciences Centre.

The uptick in infections could be big or small. Nonetheless, broad-based public testing should continue. There might be resurgence when restaurants and social venues open.

Supply-chain disruption

A second wave of COVID-19 is dangerous, as it will disrupt the already disrupted supply chain. Aside from the worry of an exponential increase in infections due to early lifting of lockdowns, there could be supply shortages of essentials.

For example, the health system is facing a drug shortage. Health Canada is under pressure to address a possible shortage. The costs could rise due to high demand and low supply.

Crash of two sectors

The oil and housing sectors are vulnerable to a market crash. If one or both crashes, it could bring down the general market.

Oil stocks tumbled recently due to oversupply pressure. For the first time in history, crude oil prices turned negative. An oil rally is taking place as a result of production cuts by OPEC+ and Russia. The boost might be temporary, as draining the oil inventory surplus could take months to complete.

Canada's housing market is also under threat. Buyers and sellers are on standby. There was a 14.3% decline in home sales in March from February 2020. Industry experts believe the continuous spread of COVID-19 will impact the housing market. Housing sales will suffer, while prices will edge higher.

Investment option

If you're looking to invest, you can consider **Telus** (TSX:T)(NYSE:TU). The telecom sector in Canada is one of the world's most protected telecom sectors. It's an oligopoly where only a few companies dominate the industry.

Telus is the second largest after **BCE**. In Q1 2020, Telus, this $28.6 billion company, reported consolidated revenue and EBITDA growth of 5.4% and 4.2%, respectively. Its free cash flow was $545 million.

About 12,000 new clients were added to the customer base. The wireless segment grew to 36,000 customers, which were driven by stronger internet and security additions. Although the telco stock is losing by 9.42%, it is outperforming the general market. Likewise, the 5.18% dividend is attractive to income investors.

Shaky ground

Everything revolves around the COVID-19 pandemic. Let us hope the virus containment comes soon, so global supply chains can normalize. The TSX is standing on shaky ground. Some stocks in the oil and housing market sectors might fall off a cliff.

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