



## Market Crash Part 2 Is Coming — Here's How I'd Prepare

### Description

The [COVID-19 pandemic](#) is a socio-economic disaster that some bears think will propel us into a depression far worse than the Great Depression suffered after the 1929 market crash. U.S. infectious disease expert Dr. Anthony Fauci is warning that another outbreak is “inevitable.” Many investors are probably perplexed as to what they should do next.

Should you buy stocks while they're still off double digits from their pre-pandemic heights? Or is it more prudent to wait until there's an effective vaccine, to avoid another market crash? This runs the risk of missing out on what could be the most significant surge in history.

### **Don't rule out another market crash, as anything can happen in today's uncertain market**

With many parts of the world winding down from what could be the first of many outbreaks, investors are flocking back into stocks in droves. The U.S. Fed appears to have the stock market's back, and there's encouraging news coming from firms looking to produce a vaccine. It seems safe to return to the investment waters, despite a massive haze of uncertainty that's clouding the near future.

A second wave of coronavirus infections has the potential to be far worse. We could be propelled into a negative interest rate environment, though many central banks are reluctant to make the crossover. We could be in for a real doozy. There's a chance that further fiscal and monetary stimulus may not be able to prevent the next market crash.

### **But don't bet against a vaccine!**

Working vaccines tend to take many years to develop (at least four), so the recent wave of optimism over **Moderna**'s vaccine development may prove to be premature. Unlike during the Spanish Flu of 1918, however, vaccine developers like Moderna have the power of technology on their side, increasing the odds that a vaccine could be ready to go in record time.

Nobody knows whether the vaccine will be ready for distribution before the next wave of coronavirus outbreaks. But it'd be foolish (that's a lower-case 'f') to bet against a record-fast vaccine by going all-in on cash and other low-return risk-free securities. On the flip side, it's also a bad idea to go 100% in stocks at ground zero of the coronavirus crisis, in case a vaccine arrives later rather than sooner.

While the crisis has created an unprecedented amount of uncertainty and risk for equity investors, it's still a bad idea to try to time the market. Nobody knows what's going to happen next. But it'd be prudent to be prepared for whatever the market throws your way. Have an "all-weather" portfolio that considers both the bull and bear cases, either of which are plausible outcomes.

Do have ample liquidity, but don't "sell everything" in a rush to the sidelines!

Stay the course, and invest in defensive plays like **Hydro One** ([TSX:H](#)) if you're worried about another market crash. Hydro One is in a position to withstand dampened downside if things get ugly again. Its 4%-yielding dividend is about as safe as they come.

## Foolish takeaway

Vaccine developers have the power of technology on their side in 2020.

The only question will be whether the vaccine will arrive before or after another outbreak has a chance to spark fear in this market.

A violent crash could happen, but so too could an [upside correction](#) just as sharp as the February-March crash. Investors should stay the course with stocks and not attempt to time this market. Hydro One, I believe, is a wonderful business and a prudent bond proxy for those who are hesitant, but still wish to participate in the markets through these unprecedented times.

## CATEGORY

1. Coronavirus
2. Dividend Stocks
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## TICKERS GLOBAL

1. TSX:H (Hydro One Limited)

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