Market Crash 2nd Wave: Don't Burn Yourself on These Stocks

Description

North American markets have managed to bounce back from a brutal market crash in March. Investors were treated to historic volatility due to concerns over the impact of the COVID-19 pandemic and the subsequent lockdowns that paralyzed the economy. The negative impacts of the pandemic have become apparent in the form of soaring job losses, a huge decline in economic activity, and cratering revenues in many different sectors.

Today, I want to discuss several stocks that could be victims of the next market crash. Moreover, we will take a snapshot of one sector that investors can continue to trust going forward. Let's dive in.

Stock market crash: Are valuations too high?

The financials and energy sector are the heavyweights on the TSX, and neither have been able to come all the way back from the sharp declines that kicked off the spring. However, Canada's relatively small technology sector has been a star. A second stock market crash could take a bite out of very high valuations in tech.

Shopify has been a monster since April. Shares soared above the $1,000 mark in early May. However, the stock has dropped 4% over the past week. As exciting as the e-commerce giant is right now, it has yet to turn a profit. The stock has dipped outside technically overbought territory, but Shopify is due for a breather.

Kinaxis is another exciting Ottawa-based tech company. Its stock has climbed 65% in 2020 so far. There is reason to be excited about its supply chain software and its growth potential. However, shares have hovered around technically overbought levels since late April. Investors should be very cautious with both tech stocks right now. A sudden stock market crash could wreak havoc on their respective valuations.

Worsening China-Canada relations could blow up markets

On May 27, Huawei CFO Meng Wanzhou lost her bid to avoid extradition from Canada to the United States. The original arrest resulted in a dramatic cooling of relations between China and Canada. Now that the latter will go forward with the extradition, we can expect the relationship to worsen. This could rattle markets and result in blowback for Canadian companies with interests in China.

Men Wanzhou's December 2018 arrest had an immediate impact on the stock price of **Canada Goose** . The stock appeared to gain momentum in early 2019 before succumbing to the stock market crash that began in late February. Shares of Canada Goose have dropped 55% year over year. Sales have remained strong in its Asia-based stores. However, there is renewed concern over how the luxury apparel company will perform in a difficult economic environment.

What sectors can you trust?

Before the COVID-19 pandemic sparked a stock market crash, my favourite target was the healthcare sector. A lot has changed in 2020, but healthcare stocks are still at the top of my list. **VieMed Healthcare** has been a particularly good performer this year. Ventilators have been in high demand due to this pandemic, and VieMed has been eager to lend its services. Its shares have climbed 75% over the past three months at the time of this writing. This stock is well positioned to thrive in the present climate.

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