



## Stock Market Rally: Buy, Hold, or Sell Stocks?

### Description

The **TSX** stock market rallied from the low in March. What comes next?

Specifically, the Canadian stock market marched 33% higher since the low, seemingly driven by the COVID-19 impact that was not as bad as we thought.

Arguably, we will see the real repercussions of COVID-19 in the coming months.

The market is also optimistic about businesses progressively reopening and effective COVID-19 vaccines that will eventually become available.

### Where does the market go from here?

The TSX index is sitting on a 50-day simple moving average right now. We'll have to see if it holds next week. If it does, there's a good chance it could consolidate here. This view is supported by the relative strength index that is in neutral territory.

The reopening businesses is a catalyst. However, reopened restaurants can only cater up to roughly half of its normal number of patrons, as social-distancing guidelines must be adhered to and tables must be sufficiently far away from each other.

Some small business owners complained that even if they open now, they're still losing money. If people are reluctant to visit their favourite restaurants, the businesses could be gone in a few months.

Reopening of businesses is just a first step. Being prudent is necessary. If we see a second wave of COVID-19, which experts are saying is the path of history, then we might have to redo this all over again — the work from home, social distancing, lockdowns, etc.

That would likely trigger another market crash.

Of course, we have our fingers crossed that a vaccine is closer to completion than not. Once there is

one, it should help stabilize the market.

## Should you buy, hold, or sell stocks?

To decide whether to buy, hold, or sell your stocks after this market rally, go back to your original reasons for buying the stocks.

Did you buy them for short-term trading (typically within a year), for income, or for long-term growth? How's the valuation of the stock? How confident are you in the company?

For example, [recently](#), I took a profit in **Alimentation Couche-Tard** but kept my position in **Brookfield Property**. The former was for price appreciation, but I decided there wasn't much to run on in the near term. The latter was a value and income play. As BPY remains discounted and still offers a very nice yield of 10.3%, it's still a good hold.

Generally, it's best to have a long-term investment horizon in quality businesses, because in the short term, no one knows whether stocks will go up, down, or sideways. One can only make an educated guess from signals given by the economy and the market on where stocks will go.

As there is still so much uncertainty in the market, including COVID-19, trade wars, protests, and [money printing](#), it doesn't hurt to consider taking profit in more speculative investments, such as **Teck Resources**, which has run up 76% from the market crash low.

## The Foolish takeaway

To summarize, there's always uncertainty in the market. Today's market seems to have even high levels of uncertainty. To decide whether to buy, hold, or sell stocks, review your reasons for investment.

For a specific stock, are you looking for income, price appreciation, or short-term trading?

Generally, it's best to have a long-term investment horizon to allow time for your theses to play out.

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