4 Ways the Market Could Crash Again in 2020

Description

There is a tonne of uncertainty in markets creating significant potential for another market crash to happen this year.

This doesn't necessarily mean investors should go out and sell all their **TSX** stocks. However, investors should be aware that despite the optimism in the markets the last few months, a tonne of risk remains.

It's important to keep this in the back of your mind as we progress through this pandemic. This way, you'll always remember to pick high-quality businesses.

It's important to avoid unnecessary risks right now. If the market were to crash tomorrow, you would almost certainly see major losses from those high-risk investments.

Here are four things to watch that could cause the market to crash again before the end of the year.

U.S.-China tensions could make the market crash

U.S. and China tensions have been escalating lately, and this is always a cause for concern. The two countries are the world's largest economies and both vital members when it comes to world trade.

So, understandably, as tensions rise, so do the chances for a market crash.

Watching how U.S. and Chinese tensions play out over the next few months will be important. However, it's not the only thing to be aware of this year. And in fact, it may have the lowest possibility of these four scenarios of actually materializing.

U.S. election

The U.S. election may not necessarily cause a market crash, but it's definitely an important event for Canadian investors to watch. A lot of TSX stocks can be impacted by the policies set in the White

House.

For example, Joe Biden already stated that he would rip up approvals for **TC Energy's** Keystone XL pipeline. This would be a disaster for the Canadian pipeline company, which has already faced major obstacles until now, trying to get the extension built.

This, however, is just one example of the U.S. election impacting TSX stocks. More campaign promises will come as the race heats up.

It's possible that based on the views and promises made, the market could crash after the election, depending on what the result is.

However, at the same time, there is just as much potential that the stock market could rally after the election, similar to what we saw in 2016.

So, going forward, throughout the second half of the year, investors should watch the U.S. presidential campaign and see what promises and outcomes could impact your TSX stocks.

Second wave of coronavirus would cause a market crash

Last week, we got our first look at the market's reaction to rising coronavirus cases for a second time. In one day, the market crashed more than 4%.

This has been mostly all made back, but the cases continue to rise. And by the way, this isn't even the second wave of coronavirus; it's being considered a second peak in the first wave.

Health professionals think the second wave will follow a seasonal pattern like the flu and arrive in the fall. If this materializes and the second wave is as bad or as worse as the first wave, we could see another major crash in TSX stocks.

Enough time for the lagging economy to hit

Economic consequences are usually not instantaneous and have a bit of a time lag before they hit the economy.

We are just now starting to see numbers from February showing recession. As more numbers come in, they will initially get worse.

However, there will start to be more progression with unemployment and likely more clarity on the economic consequences as more information comes in.

If the outlook appears gloomy, the forward-looking stock market could see another market crash.

Not to mention, if these poor economic numbers and more consequences like bankruptcies start materializing at the same time a second wave hits, the results could be catastrophic.

Bottom line

In my view, despite what's been going on in markets, there is a lot more to be cognizant of than there is to be optimistic about.

Investors need to make sure that you know all the risks if you're buying stocks today. And, more importantly, make sure your portfolio is positioned adequately ahead of the next market crash.

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