Nervous About Stocks? 3 Reasons You Should Be

Description

Should investors feel confident about the recent market bump? The Toronto Stock Exchange (TSX), for example, has stormed back by 35.87% since sinking to a low of 11,228.50 on March 23, 2020. Trading volume has been steady in June, despite the lingering COVID-19 pandemic.

However, don't get your hopes too high yet. We might be seeing a phantom rally, which appears to be too good to be true. There are three valid reasons to feel nervous about stocks.

Calamitous economy

I am not bursting anyone's bubble — only echoing the observations of market analysts. They are saying the recent rally wasn't justified, because the economy is unhealthy and the situation is dire.

The TSX finished the week of June 8 to 12, 2020, lower by 3.78%. You can't get a better handle of the market due to several variables. COVID-19 is still the main reason for the high level of uncertainty. The billions of dollars in emergency financial packages might burden Canada's economy, and recovery might take longer.

Shaky energy sector

Canada's energy sector was once the powerhouse. Lately, there has been a selloff. Some of the biggest oil sands producers are falling by 8% or more. Other sectors, such as metals and mining, along with healthcare, are struggling. If the trend continues, the TSX will suffer another hit.

More job losses

The **Royal Bank of Canada** released a new study that reveals the gripping impact of COVID-19 on small businesses. About 60% of job losses in the first two months of the pandemic are from this sector. The percentage is double than the figure in the 2008-2009 recession.

Small businesses are vital to the economy; they contribute more than one-third to Canada's gross domestic product (GDP). The business owners can't survive on restricted services or reduced operations. More or additional financial support will prevent them from going under while business routines are not yet regular.

Standout investment

The market environment is fragile, but it doesn't mean there is zero investment option. There are stable sectors with standout stocks in them. I would choose a stock with bond-like features. That company is **Fortis** (TSX:FTS)(NYSE:FTS).

This $17.79 billion electric and gas utility company is your stonewall defence against economic downturns, recessions, and even a pandemic. Market volatility is of no consequence if you're providing essential services to communities and its population.

I don't need to expound further, because the nature of the business alone tells me that Fortis is both a defensive and a reliable dividend payer. At less than $40 per share, you have a safety net that pays a 3.72% dividend.

Income investors who can ramp up their holdings to $50,000 can produce $1,860 in passive income. This utility stock will not only reduce the market risk but also provide a lasting, permanent income.

Understand the risks

The TSX rally is a positive sign regardless of the apprehensions of others and mine. Everyone wants the market to rebound or quickly return to its vibrant state. However, investors must understand the risks before betting on stocks.

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