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Market Crash Part Two Is Coming: How to Prepare

Description

It seems as though investors are fairly convinced that a market rebound is underway. After falling nearly 40%, the **S&P/TSX Composite** rebounded about 35% as of writing. Across Canada, businesses have started to reopen their doors. People are even braving the outside world, with many flocking to patios this summer season.

Even Statistics Canada had good news last month, with the country adding nearly 290,000 new jobs. This was in part thanks to the Canadian Emergency Wage Subsidy (CEWS). The subsidy allowed businesses to bring back on previously laid-off employees. Now, people believe they have some cash on hand to start spending.

But analysts have a serious word of warning. The worst isn't over. Not even close. Not only could another market crash happen, but multiple market crashes could be in our near future. There are a few reasons for it, and a few ways that you can prepare yourself.

No buybacks

With a rebound underway, one thing companies should be considering are buybacks. Buybacks offer a few things for companies. When the stock price has fallen below fair value, companies tend to buy back shares in order to boost stock price, and prevent anyone from taking a majority stake in the business.

That just isn't happening right now. Management teams are seeing buybacks as a low priority. Instead, the companies need the cash on hand for coronavirus relief. There have been suspensions, employee layoffs, even rising political and social tension that have affected companies greatly.

Until these points are all dealt with, it's unlikely investors will see any buybacks, which also means companies are expecting further drops, further geopolitical and social tensions, and even further suspensions and closures in the near future. All of this would have a significant impact on the market.

Lower earnings

The market is also expected to be hit when the next round of earnings reports are released. While businesses may be starting to open up again, the businesses are still reeling from the coronavirus and its impact on businesses.

The virus severely decreased the amount of production most companies can take on. So it shouldn't be a surprise to anyone that the next round of earnings reports should be significantly decreased, much like the first round.

Unfortunately, as more and more earnings reports are released, it's very likely that the stock market should fall once again. Until a vaccine is created, tested, and out in the world, it's likely that earnings reports will continue to be down until that time.

What to do?

There *is* something that you can do to prepare, and that's buying into an industry that should see both growth and dividends in the next year and beyond. One area seeing somewhat of a rebound is the energy sector.

TC Energy Corp. (TSX:TRP)(NYSE:TRP) is a great option for investors looking to get in on the rebounding energy sector, but with far less risk. That's because TC Energy is a midstream pipeline operator and should continue to see its stock rise as its earnings remain stable.

The reason its earnings aren't going anywhere is because the company is sustained by long-term contracts, which will keep cash rolling in and keeping its dividend and production steady.

Meanwhile, it has secured growth projects underway for the next few years to create pipelines for the ailing oil and gas industry. So really, TC Energy doesn't have anywhere to go but up.

Foolish takeaway

While it's impossible to say when the next market crash will hit, it's almost a certainty that a crash will come — and it's important to be prepared for when it does. By investing even a little bit in a company like TC Energy, you are doing the best you can to protect yourself against a market crash.

An investment of just $5,000 today could bring in $6,545 in the next year if the company reaches pre-crash prices. Meanwhile, you'll receive dividends of $275.40 per year.

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