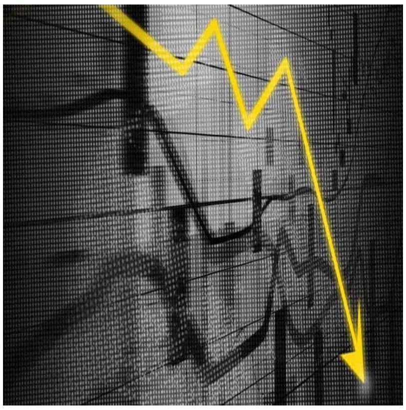

Next Market Crash: 3 Stocks to Watch

Description

Veteran investors continue to say the market rally off the March low is way ahead of itself, and a second market crash in 2020 could be on the way.

Warning signs

A number of factors point to possible trouble in the coming months. Some are connected to rising virus cases in the United States and the potential impact on the economic recovery. Others are more political, including the 2020 U.S. presidential election and ongoing geopolitical tensions.

U.S. threats

The recent surge in COVID-19 cases in several American states might lead to renewed lockdowns. **Apple** closed some stores in Florida and Arizona due to the rise in cases. Medical authorities warn that several states might be on the verge of losing control of the virus.

If the situation worsens through the summer, the market could start to price in a U-shaped recovery, rather than the current anticipation of a V-bound.

The presidential election in the fall is another unknown. Polls are starting to show Joe Biden faring well in key states. If the market begins to think the Democrats will win this year, equities could pull back amid fears of tax hikes.

Asia turmoil

Tensions between China and India are not getting the media attention they normally would. A deadly clash between military personnel from the two countries along a disputed border region risks escalating into a more serious conflict. China's perceived steps to increase controls on Hong Kong could also disrupt global financial markets.

In Europe, the E.U. is under pressure to get its future budget finalized and agree on a substantial pandemic recovery fund. Germany's leader Angela Merkel sounded the warning bell last week. The veteran politician said the pandemic exposes the E.U.'s vulnerability, as it heads towards the worst recession since World War II.

Brexit negotiations, meanwhile, continue in the shadows and still have the potential to upset markets as well.

Overall, the potential risks to an overbought market are significant, and investors should prepare for some volatility in the second half of 2020.

Gold

Gold might extend its rally and take a run at US$2,000 before the end of the year. The miners pulled back in the past month and might be one of the few groups that appear cheap right now.

Barrick Gold, for example, fell from a high of $40 in May to below $32 in early June and still trades around $34 per share.

Utilities

Utilities tend to be good places to hide when markets are volatile. People need to turn on the lights and cook their food regardless of what is happening in the economy or around the world.

As such, **Fortis** deserves to be on your radar. The company has $57 billion in assets in Canada, the United States, and the Caribbean. Nearly all of the revenue comes from regulated businesses, and Fortis has a strong capital program to support revenue growth. The board intends to raise the dividend by 6% per year through 2024.

Alternative assets

Alternative assets might also be a good place to seek protection. Bond yields in Japan and Europe are already negative. Some pundits suggest the U.S. could be next. In a low-rate and negative-yield environment, giants such as **Brookfield Asset Management** could be attractive buy-and-hold picks on the next market correction.

The bottom line

Markets have a tendency to zig when everyone expects a zag.

There is no guarantee another crash is on the way this year, but investors should be careful in the current environment and keep some powder dry to take advantage of opportunities that might emerge in the coming months.

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