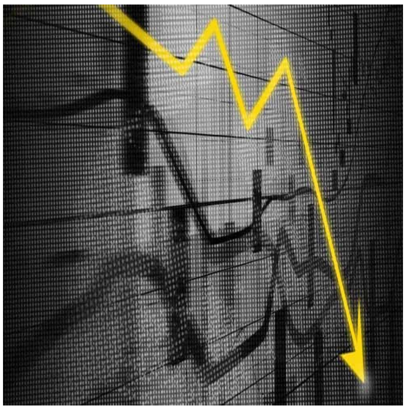

Is the TSX Index Going to Crash Again?

Description

When this month began, I'd discussed whether investors should be fearful of a second market crash. Canadians had already passed through a vicious market retreat that was triggered by the COVID-19 pandemic in the late winter and early spring. Now, the economic consequences of the pandemic and subsequent lockdowns are building. Should investors expect the TSX index to encounter volatility this summer?

Is the TSX Index overvalued right now?

This week, I'd suggested that investors should look to recession-proof their portfolios in response to a reeling economy. Canada's unemployment rate has surged to 13.7% in early June, the highest levels recorded since the early 1980s. The country is gradually reopening, but fears over the pandemic may suppress consumer spending in industries like hospitality for months or even years to come.

At the end of the previous trading week, top Canadian stocks like **Shopify**, **Maple Leaf Foods**, and **Cargojet** had veered into technically overbought territory. Meanwhile, the TSX Index last possessed an RSI of 57. It is not discounted, but it is still not sending off sell signals.

Can the market continue to outperform a reeling economy?

This is the biggest question going forward. Indices in the United States have also rebounded nicely in April, May, and June in the face of brutal economic data. This month, the U.S. reported that over 45 million Americans had lost their jobs. These are stunning and unprecedented numbers. If this downturn stretches on in the face of a broader reopening, it is hard to see how the TSX Index will not feel the negative effects.

New Bank of Canada governor Tiff Macklem recently said that the country faces a "long and bumpy road" to recovery. He also reiterated that the benchmark interest rate would not go below the 0.25% mark it currently sits at right now. Macklem expects to see positive GDP growth by the third quarter of this year. However, physical-distancing rules may put a cap on workplace productivity in the near term.

Don't stop hunting for discounts

The TSX Index may be veering towards pricey territory, but this does not mean investors should stop hunting for attractive stocks. Below are two of my favourites that are worth stashing for the long term.

Canadian Western Bank is a regional bank stock that has just started to beef up its eastern exposure. Shares have climbed 23% month over month as of close on June 23. However, the stock is still down 20% in 2020. Canadian Western still has a favourable price-to-earnings (P/E) ratio of 8.3 and a price-to-book (P/B) value of 0.8. Moreover, it offers a quarterly dividend of $0.29 per share. This represents a 4.6% yield.

Manulife Financial is an insurance and financial services stock that is well worth storing in your portfolio. Shares have increased 17% over the past month, but it is still down 26% so far this year. Its stock last possessed a P/E ratio of eight and a P/B value of 0.7. This puts it in attractive value territory. Manulife offers a quarterly dividend of $0.28 per share, representing a strong 5.9% yield.

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Date
2025/08/27
Date Created
2020/06/24
Author
aocallaghan