



Is the Next Stock Market Crash Here Already?

Description

Global stock markets fell 2.5% after the U.S., China, Latin America, and India reported a sudden spike in the number of coronavirus cases. The **TSX Composite Index**, the **S&P 500 Index**, and the **FTSE 100 Index** fell by 2.17%, 2.3%, and 3.1%, respectively. China and South Korea are already facing the second wave of the coronavirus outbreak. As there is no vaccine for COVID-19, it is almost impossible to stop the spread of the virus without imposing a lockdown. Another lockdown will negatively impact the global economy. The International Monetary Fund has [lowered its global GDP forecast](#) for 2020. It now expects the global GDP to contract 4.9%, as compared to its April estimate of a 3% decline.

Is this the beginning of the second market crash that investors have feared?

How long will the stock market crash last?

If the second market crash is here, it will last for several days. It is difficult to say how long the market crash will last, but it is likely to be less severe than the March crash. In March, the COVID-19 pandemic came unexpectedly, causing a nationwide lockdown. Investors panicked, as this was the first time they'd experienced such a scenario. Investors have expected a second wave of the coronavirus outbreak and prepared themselves to make informed decisions. What they didn't expect was the timing of the outbreak. The early arrival of the second wave will drive the second market crash.

Can Air Canada survive the second wave of the pandemic?

The second wave of the pandemic will extend the lockdown and restrict travel. **Air Canada** ([TSX:AC](#)) may not be able to [survive this second wave of the pandemic](#). It was burning \$20 million in cash daily during the April and May lockdown. It barely saw the light at the end of the tunnel as the economy started to reopen in June and drove domestic travel. The airline stock recovered slightly from its March low, as investors expected the international travel to see an uptick this fall. These expectations could falter, as the number of coronavirus cases spiked after the lockdown was eased.

AC already has a long-term debt of \$9.65 billion and has raised \$2.5 billion in new debt to improve its

liquidity. The company will need more cash if the government extends the international travel ban beyond July 21. Fitch Ratings has downgraded AC's long-term debt to "BB-," which signals that the airline could default in adverse economic conditions. Additional debt could lower its rating further. If today is the start of the next market crash, sell your AC stock now, as there is a possibility that there may be no recovery for this stock.

The stock market crash will bring new opportunities

After you have sold the weak stocks in your portfolio, set some money aside to buy fundamentally strong shares in the market crash. The technology sector is the biggest beneficiary of the pandemic. If you own software stocks like **Descartes Systems** and **Constellation Software**, don't sell them in the next market sell-off. Wait patiently for the market crash to end and then buy more of these stocks.

If you want to get the exposure to all good IT stocks, buy the **iShares S&P/TSX Capped Information Technology Index ETF** after the market crash is over. The ETF has 50% of its holdings in **Shopify** and **Constellation** and 30% holdings in **Open Text** and **Kinaxis**. Three of these four stocks have soared to their record highs in the market rally that followed the March sell-off.

If you have missed out on the April market rally, now is the time. Don't rush to buy or sell any stocks. Wait patiently and monitor the market movement. When the TSX Composite Index's downward trajectory is over and the growth returns, buy at that point to maximize your profits.

CATEGORY

1. Coronavirus
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1. TSX:AC (Air Canada)

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