Yes, You Should Brace for a Second Market Crash

Description

Following a horrific first quarter in 2020, exuberance is back on the **Toronto Stock Exchange** (TSX). Canada's main stock market index is up nearly 16% since March 31, 2020 and is on track to finish strong in the second quarter.

Market *analysts,* however, are not exactly jumping for joy. Their level of pessimism remains high that they are anticipating another market crash. The fear is there, although everyone is hoping the prognosis is wrong. All gains will go down the drain. Investors should prepare instead of feeling overconfident.

Ongoing health crisis

The health crisis is far from over. Health officials are warning of an impending second wave of coronavirus outbreak. Resurgence is likely due to the lack or absence of a COVID-19 vaccine.

Early autumn and the coming holiday season are critical months. Restrictions are over by then, and more businesses will be open. People will converge again in public places. The virus can quickly spread, and the country will have new cases of infection.

Slow economic recovery

The second wave of COVID-19 is not the only threat, however. Global economies are picking up the pieces. The magnitude of the destruction is still unknown. When the validity of the temporary stimulus packages has passed, financial hardships will continue.

People will resume rent and mortgage payments. Lending defaults could rise and hit various sectors. Small businesses must return to pre-corona levels. If not, the high unemployment rate could linger beyond the health crisis.

Strain on profitability

Many companies will remain in belt-tightening mode. Cost-cutting measures will still be in place to conserve cash. There will be fewer buybacks as a result. Earnings estimates are not as accurate as before, as even EPS might not reflect the real value of the companies.

Defensive strategy

Bad news, even if untrue, can influence market behaviour and trigger a sell-off. It's important that you do not chase the press to prevent fear and panic. The only way to mitigate the risks is to play a good defense.

In crisis and recession moments, **Toronto-Dominion Bank** (TSX:TD)(NYSE:TD) is a tough nut to crack. The second-largest bank in Canada is the go-to investment when the market is full of uncertainties. TD will hold up and overcome the headwinds as it did in the 2008 financial crisis.

You're not navigating the crisis blind if TD is your core holding. This $110.73 billion bank has adequate provision for credit losses. Net income in Q2 fiscal 2020 fell by 52% compared with Q2 fiscal 2019 because TD raised the loan loss provision level to $3.2 billion.

You can count on TD for three striking attributes. It has strong liquidity, a high-quality balance sheet, and a resilient business model. Its current dividend offer of 5.13% is safe due to the less than 55% payout ratio. Besides, TD is a time-tested income-provider with its 162-year dividend track record.

Invest in safety

Some soothsayers are claiming that the market will get worse before it gets better. For investors, heed the warning and stay on the safe side when you invest. Blue-chip stocks like TD should protect your money from the coming storm.

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