



Don't Trust the Bull: 2 Reasons Another Market Crash Is Near!

Description

Since hitting the bottom on March 23, 2020, the S&P/TSX Composite Index is up by almost 40% at writing. The March 2020 market crash might be in the rear-view mirror for many investors, as we see a steady rise of the TSX index.

Despite all the hopefulness because of this improvement, there is one crucial fact: COVID-19 is still here and there is no vaccine. As economies begin to open up in Canada and other countries around the world, a lot of investors have been wondering whether [another stock market crash](#) will happen.

I think that it will happen. It is only a matter of time.

Another dip on the horizon

While market crashes are a part of the economic cycle, I am not talking about a recession caused by the cyclical nature of the market. There is a high chance that we may yet witness another major correction soon. Whether it happens in a few weeks or a few months, analysts predict that there will be another crash soon, and we have indicators to tell us that.

Why the crash will happen

To understand why the market crash might happen again, we have to consider what has already happened. History has a way of repeating itself, and we have to learn from it rather than trying to deny it.

COVID-19 is the most prominent reason why we will see another market crash. Until it came along, we were talking about how analysts anticipate a major recession, but nobody could see it happening. Almost as soon as COVID-19 began to become known, it impacted every country in the world.

As a measure to curb the spread of disease, governments had to implement mandatory social-distancing measures. Millions of people lost their jobs, as industries and economies came to a grinding

halt.

Second wave

The situation has improved since March in terms of what we see in the market rebound. There is news of new jobs becoming available and a vaccine development is underway. However, the hundreds of thousands of new jobs cannot help millions who have less or no work.

There also isn't a viable vaccine yet — just the news of something in development. A second wave of COVID-19 infections will further damage the already weakened economies around the world and in Canada.

Poor fundamentals

The basic economic fundamentals have deteriorated sharply since 2020 began. With over 20 million jobs lost in the U.S. during April 2020, unemployment rates rose to almost 15%. Canada lost almost two million jobs, and the unemployment rate went up to 13%.

With a shrinking GDP and highly expensive stimulus package that has [cost more than \\$150 billion](#) in Canadian taxpayer money, the situation can get worse.

Foolish takeaway

It is a matter of *when*, not *if* another crash will happen soon. I would advise sticking to a time-tested formula of protecting your capital by increasing your position in defensive assets. You need to look for companies that hold up well during a recession. **Fortis** ([TSX:FTS](#))([NYSE:FTS](#)), in my opinion, is an ideal stock to consider.

The utility sector giant provides essential services that people cannot do without, no matter how bad the global health crisis becomes. Most of its income comes from regulated and long-term contracts. It means that Fortis can keep the cash flow going, even if other companies come to a complete halt.

At writing, the \$24.33 billion market capitalization company is down just 2.46% year to date. When the broader market crashed in March, shares of Fortis also dipped, but not as bad as the rest of the stocks. Fortis was also quick to make a recovery.

While it may not be entirely immune to the sell-off frenzy, I think Fortis can be a vital asset to hold during a downturn due to its defensive qualities.

CATEGORY

1. Coronavirus
2. Dividend Stocks
3. Investing

TICKERS GLOBAL

1. NYSE:FTS (Fortis Inc.)
2. TSX:FTS (Fortis Inc.)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Sharewise
6. Yahoo CA

Category

1. Coronavirus
2. Dividend Stocks
3. Investing

Date

2025/08/28

Date Created

2020/07/06

Author

adamothman

default watermark

default watermark