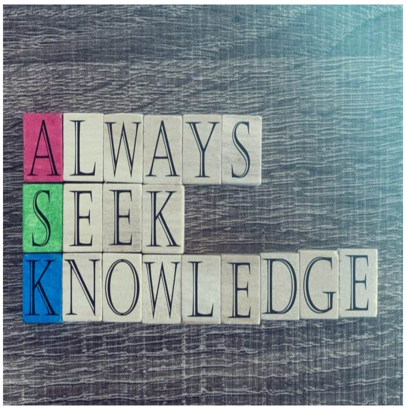

Fear Market Crash 2.0? Watch Out for This 1 Stock Trend

Description

A rise in risk appetite has characterized the markets in the post-March sell-off period. There are no signs that this trend will stop, either. But stop it will, and the crunch could come sooner rather than later, with a -4.9% economic slowdown predicted. However, as a recent International Monetary Fund blog post recently identified, investors "seem to be betting that lasting strong support from central banks will sustain a quick recovery."

Beware the disconnect – and risky stocks

Indeed, the pandemic has bred a new form of contrarianism, with investors buying shares in bankrupt companies and severely beaten-up sectors. The assumption is that the economy will snap back into place in due course. A vaccine is sure to be available soon – or so the thinking goes. And as soon as the pandemic is over, it will be back to business as usual. In essence, a recovery is baked-in at this stage.

The problem with this mode of thinking is that an actual recovery won't therefore generate the kind of rally that a surprise turnaround might bring. Conversely, a worsening economic situation will undoubtedly shock the markets, likely causing another crash.

In summary, the markets are overheated and the upside can only run for so long. At some point, reality will kick in. The stage could be set for another market crash.

"Make hay while the sun shines"

For a while, pundits were on the fence about **Air Canada** (TSX:AC). It was looking like the one punished airline that might turn things around. It was also getting into cargo-only flights, which added a promising (and defensive) extra revenue stream.

Aside from the fact that Air Canada's fleet is not optimized for such use (as opposed to the fleet of,say, **Cargojet**), the initiative appeared both canny and civic-minded.

But then came the announcement that Air Canada would be selling middle aisle seats. It's not too contentious to say that this may be a risky move given the current health situation. Yes, there are assurances about health awareness. And yes, guidelines from the U.N. and the IATA will still be adhered to. But there's a clear trade-off here, and it's an off-putting one.

Looking south of the border, car-hire outfit **Hertz** is a hot topic among analysts. The stock is all but worthless. And yet people are still buying shares. The stock is devalued and exhibiting self-generated momentum. But it's a trend that is echoed across all major North American markets. The correction, when it comes, will be ugly.

This is a good time to trim names, therefore. As the old adage goes, "Make hay while the sun shines." It's also a good time to start making a wish list and laying aside capital in advance of a correction.

A sale could be on the way, after all. Solid tech names such as **Docebo** would be a good example of a names to watch for a pullback.

Plus, these kinds of stocks follow a trend in digitalization that is likely to outlast the pandemic itself.

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