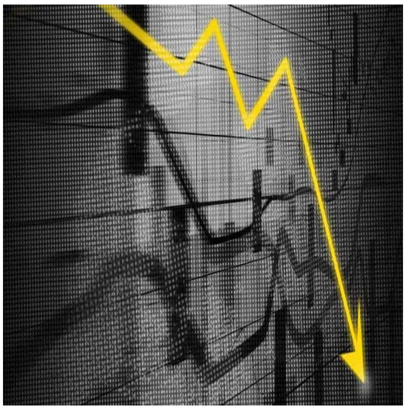

Stock Market Crash: What's Way Scarier Than Bad Earnings in Q2?

Description

A large number of companies are reporting their second-quarter results. The market is expecting bad results for the most part, but how will the market react if Q3 results don't improve? What happens if we're in for a L-shaped economic recovery instead of a V-shaped one?

Bad earnings in Q2

It appears the stock market crash in March was pricing in bad earnings expected in Q2. Interestingly, the stock market has since largely recovered. The **TSX** index is only about 10% off from its all-time high.

The Canadian banks reported their fiscal Q2 results earlier than a lot of other companies, because their fiscal year ends earlier in October instead of in December like most other companies.

For fiscal Q2, the Big Six Canadian Banks reported earnings per share that were on average down more than 50% versus Q2 2019! The large decline is primarily due to a substantial increase in provisions for credit losses that reflect a significant deterioration in the macroeconomic outlook caused by COVID-19 disruptions and the expected impacts on their clients.

The banks' results were mostly in line with each other, except for **CIBC**, which was way worse and **National Bank**, which was much better. Specifically, CIBC's earnings per share fell 68%, while National Bank's declined by 33%.

Another stock market crash can happen again this year or next year

As the economy progressively reopens, the stock market is optimistic and has extensively recovered from the March market crash low. However, there have been spikes in new COVID-19 cases in certain geographies. This might result in renewed lockdowns and another stock market crash later this year or in early 2021.

Too many companies have already been hit hard. In fact, dozens of companies, including Brooks Brothers and DavidsTea, have already filed for bankruptcy protection this year.

A wave of bankruptcies are anticipated to come. Many of these companies were already having trouble before COVID-19. The pandemic was just the last straw.

Some of these companies will be restructured, but many will be liquidated and cease operations. The firms that do businesses with liquidated companies will then be affected with lost sales. A cascade of bankrupt businesses can ensue. In any case, there's no denial of a crippled economy and permanently lost jobs.

New businesses with viable business models will pop up, creating new job opportunities for those with fitting or adaptable skills, but that's not going to happen overnight.

Better secure your financial future: Increase your passive income

Thankfully, despite the doom and gloom of the economy, there are stable businesses that have been resilient through the COVID-19 disruptions. You can improve the security of your financial future by receiving safe dividends from them.

Fortis (TSX:FTS)(NYSE:FTS) has one of the best dividends on the TSX. Its track record of increasing its dividend per share for more than 40 years is nothing short of amazing.

The diversified regulated utility consists of primarily transmission and distribution assets, which supports profitability that has little variability.

Fortis continues to deliver electricity and gas safely and reliably during the pandemic. Its earnings per share was $0.68 for the first quarter, resulting in a payout ratio of about 70% that aligns with the company's historical payout ratio range.

The dividend stock is good for a yield of about 3.7% right now. Additionally, it's going to increase its dividend by about 6% per year through 2024.

The Foolish takeaway

It might take much longer for the economy to recover from the COVID-19 disruptions than most people think. Therefore, consider buying solid dividend stocks like Fortis to better secure your financial future with safe dividends.

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