MARKET ALERT: Trudeau Just Gave You Another Reason to Buy Stocks

Description

On Monday, Prime Minister Justin Trudeau announced the extension of the Canada Emergency Wage Subsidy (CEWS) program to December 2020. Earlier in May, the government had already extended the program by 12 weeks to August 29. Even as many U.S. states continue to report record daily COVID-19 infections, Ontario — the most populated Canadian province — is readying to enter stage three of reopening.

Despite the government's efforts to help businesses reopen at a fast pace, the ongoing pandemic has already hurt the job market. Many businesses across the country are forced to lay off employees or cut salaries to minimize costs. This could be the main reason why the Trudeau administration decided to extend the CEWS program to December.

The government is taking care of wages

The wage subsidy program extension would help hundreds of thousands of employees across Canada retain their jobs by providing financial support to their employers.

For example, **Air Canada** (TSX:AC) adopted CEWS in April to rehire about 16,500 employees that it laid off on March 30. The pandemic has badly hit the flag carrier as its first-quarter revenue fell by 13.4% year over year (YoY).

As a result, the airline reported an adjusted net loss of $392 million for the quarter as compared to a $17 million adjusted net profit in Q1 2019. Its stock has seen a 66% value erosion in 2020 so far. By comparison, the **S&P/TSX Composite Index** has gone dropped by just 8.3% during the same period.

Another reason to invest in stocks

Trudeau administration's efforts to save jobs — by providing wage subsidies to businesses — should ensure that people continue to have money in their pockets. This move is likely to keep the domestic demand intact for longer — raising the possibility of a fast economic recovery.

It's always a good idea to save money for difficult times before it's too late and let it grow with a diversified investment approach in the stock market. While the government is helping you protect your jobs, you should start building your diversified investment portfolio now by investing a part of your monthly income into stocks from various sectors.

Key challenges and the solution

The two biggest challenges you might encouter are to pick the right stocks and buy them at the right time. The COVID-19 has taken a big toll on global investors' sentiments as many businesses continue to struggle for their survival.

The shares of such companies (like Air Canada) have nosedived lately. In contrast, some businesses have seen business tailwinds due to pandemic — triggering a rally in their stocks.

In my recent article, I discussed how COVID-19 turned **Goodfood Market** (TSX:FOOD) — the online grocery company — profitable in the quarter ended May 31, crushing analysts' estimates. During the quarter, the company's total revenue rose by 47.3% from the previous quarter and 73.7% YoY.

As the COVID-19 outbreak forced many people to stay indoors and order groceries online, Goodfood Market's subscriber base expanded by 44% YoY during the quarter.

More subscribers and higher volume helped the company expand its EBITDA margin by 11.7 percentage points in the third quarter of fiscal 2020.

Like Goodfood Market, many other companies have also seen the pandemic's positive impact on their future growth prospects. Investing in such companies' stocks would help you grow your savings at a fast pace.

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