



## Market Crash 2020 Is FAR FROM OVER Yet

### Description

No matter how wonderful returns your investment portfolio had been yielding for years, it's very likely that it took a hit due to [the COVID-19 outbreak](#).

After touching its lowest level since October 2011 on March 23, the **S&P/TSX Composite Index** has seen a sharp recovery lately. The Canadian stock market benchmark has risen by over 45% since March 23. As the second-quarter corporate earnings season has kicked off, investors' fears about the second wave of the ongoing pandemic seem to be fading away. I believe the recent market gains — that are driving the stock market towards overbought territory — lack strong fundamental support.

### Is market professionals' optimism real?

A recent Deutsche Bank survey [reveals](#) that about 56% of market professionals “believe a vaccine will be available within a year.” Interestingly, the percentage of these optimistic market professionals has risen from 37% to 56% in the last month. This optimism could be partly based on the recent updates — by many global pharmaceutical companies — about the ongoing COVID-19 vaccine trials.

It's a fact that many pharmaceutical companies across the globe are in the race of developing coronavirus vaccine right now. However, the process of making a coronavirus vaccine easily available to everyone affected — after a long period of ongoing trials — might take well over a year, in my opinion.

I find it a very naive idea to blindly start buying any stock just because market professionals have apparently started turning over-optimistic about the vaccine. While market professionals might be watching the vaccine-related updates very closely, they are no expert in predicting the worldwide availability of the vaccine. This is one of the reasons why I believe the worst is yet to come and the 2020 market crash might not be over yet.

### Unaffected by market crash

Despite market uncertainties due to the pandemic, some companies have managed to yield solid positive returns in this year so far. For example, **Ballard Power Systems** ([TSX:BLDP](#))([NASDAQ:BLDP](#)) and **Shopify** ([TSX:SHOP](#))([NYSE:SHOP](#)) are the two companies leading the market rally in 2020. Ballard Power and Shopify have outperformed the TSX Composite Index by a wide margin by rising 177% and 165% this year, respectively. By comparison, the index has lost 5.1% during the same period.

Ballard Power is a Canadian proton exchange membrane fuel cell designer and manufacturer. It will be releasing its second-quarter results on August 6. Bay Street analysts are expecting it to report a net loss of US\$0.04 per share in Q2 as compared to the adjusted net loss of US\$0.03 per share a year ago.

Analysts expect the company's total revenues to rise by over 12% year over year (YoY) during the quarter. Previously in the first quarter, Ballard Power reported an adjusted net loss of US\$0.06 per share, but its revenue rose by 50% YoY. The company's business in China — its largest single market — has remained largely affected by the pandemic, which could be driving optimism in its stock.

Similarly, Shopify — which will release its Q2 results on July 29 — is benefiting from many companies' rising interest in online presence due to the pandemic. That's why its first-quarter adjusted earnings more than doubled to US\$0.19 per share. Analysts are expecting this positive trend in Shopify's earnings to continue in the second quarter as well. In the first quarter, its revenue rose by about 47% YoY, and its gross profit registered a solid 48% YoY gain.

## Foolish takeaway

These are two of the companies have been virtually unaffected by the coronavirus outbreak so far. But it would be a good idea to wait for a downside correction in the shares of Ballard Power and Shopify before making a fresh long position — as they are trading deep in the overbought territory right now.

Also, we shouldn't forget that the second wave of coronavirus could be lurking around the corner. It could make the situation worse for many companies that managed to survive the first wave of the virus. So, you should be very careful while picking stocks to buy at the moment, as the market crash 2020 could be far from over.

## CATEGORY

1. Coronavirus
2. Energy Stocks
3. Investing
4. Tech Stocks

## TICKERS GLOBAL

1. NASDAQ:BLDP (Ballard Power Systems Inc.)
2. NYSE:SHOP (Shopify Inc.)
3. TSX:BLDP (Ballard Power Systems Inc.)
4. TSX:SHOP (Shopify Inc.)

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