



## 3 Reasons Why a Worse Stock Market Crash Is Imminent

### Description

On Wednesday, the Canadian stock market continued to trade on a mixed note for the second day in a row — as increasing COVID-19 cases in North America are raising concerns about another market crash. At 11 AM ET, the **S&P/TSX Composite Index** was down 0.2% for the day.

On July 21, U.S. President Donald Trump resumed his daily press briefings at the White House as coronavirus cases in the country have shown a rapid rise lately. Trump discontinued his daily press briefings in April after calling it a waste of time. Back then, he received sharp criticism from his opponents and the media on the way his administration has handled the pandemic situation.

Yesterday, Trump also said something which — if it turns out to be true — could be disastrous for the global financial markets and the economy.

### Trump's warnings

Trump seems to be more careful and realistic this time while answering the questions during his press briefings. On Tuesday, he — unlike in March and April — emphasized the importance of wearing a mask and [claimed](#) that he's "getting used to the mask." Also, Trump gave a clear warning that the ongoing pandemic situation might "get worse before it gets better."

Interestingly, Trump has always been overly optimistic about the COVID-19 situation in the U.S. So, if he's warning about the situation getting worse this time, investors better take his words seriously and prepare for the worst — possibly another market crash in 2020.

Yesterday in [my article, I highlighted](#) how the second wave of COVID-19 could hurt many companies that managed to survive the first wave. It'd be unwise to think that rising U.S. COVID-19 cases won't affect the Canadian stock market and companies. We shouldn't forget that many big Canadian companies are highly dependent on the U.S. market.

## Another reason for market crash

On Tuesday, Ontario and Québec reported 203 and 180 new COVID-19 infections, respectively — their highest daily infections in many weeks. Some prominent experts have started warning that if the cases continue to rise again, at this pace, we may end up being in a worse situation than earlier. The second wave of COVID-19 could significantly increase the financial burden on the Canadian government and trigger a multiyear recession.

This is the second reason why I believe that another stock market crash is imminent, and here's the third one.

## U.S.-China tensions are back to haunt investors

In 2019, the U.S.-China trade tensions kept global investors on their toes. Investors were hoping for a concrete trade deal between the two nations in 2020. In contrast, the COVID-19 pandemic — which started in China — has already made the situation worse.

To add further fuel to the fire, the U.S. ordered to close the Chinese consulate in Houston today. I find the rapid re-escalation of U.S.-China tensions — even without the pandemic — to give a big blow to stock market investors and lead to a market crash.

## Foolish takeaway

In my several recent articles, I've been highlighting how some businesses are benefiting due to the coronavirus-related closures. For example, the Canadian e-commerce giant **Shopify** ([TSX:SHOP](#))([NYSE:SHOP](#)) has been attracting a large number of small businesses to avail its online services during the pandemic. This is the reason why Shopify's stock is the **TSX Composite Index**'s one of the top three gainers in 2020.

While I find Shopify's stock to be expensive at current valuation and market price, a prolonged pandemic could make it a much better investment than many other Canadian companies. However, I would highly recommend you wait for a downside correction before buying its stock.

This expected downside correction could be witnessed in the weeks ahead as the company releases its second-quarter earnings next Wednesday.

Overall, you might want to be very careful in picking stocks to buy at the moment as we approach another imminent market crash in 2020.

### CATEGORY

1. Coronavirus
2. Investing
3. Tech Stocks

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1. NYSE:SHOP (Shopify Inc.)
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