Yes, a Market Crash Will Happen: Get Ready!

Description

Talks of another crash persist despite the seeming resiliency of the stock market. Market analysts keep harping on the strange market behaviour. Stocks are surging, notwithstanding lagging economic growth and rising unemployment rates. The situation remains fluid, which is the reason many are skeptical.

The **TSX** fell to a COVID-19 low of 11,228.50 on March 23, 2020, but is up 47.34% to 16,544.50 as of August 7, 2020. Across the border, the stunning reversal is also happening. The **S&P 500 Composite Index** has risen by almost the same percentage. Still, these factors are threatening to bring the rally to a halt and spawn a market crash.

Signs of economic recovery

If you recall, the great crash in history happened in September 1929 and took 300 months for markets to recover. The dot.com bubble lasted for 87 months. The duration of the 2007 global financial crisis was 65 months. Meanwhile, the COVID-19 crisis is only five months old and ongoing.

Canada's main stock index is advancing on account of expanding domestic manufacturing activity. For the first time in five months, the IHS Markit Canada Manufacturing Purchasing Managers' Index (PMI) rose by 52.9 in July following the 47.8 in June. Similarly, the 418,500 new jobs in July beat the 400,000 consensus estimate.

Negative influences

A rift concerning tariffs is developing between Canada and the U.S. The Trump administration slapped a 10% tariff on some Canadian aluminum products last week. Canada announced a retaliatory $3.6 billion tariff on American aluminum products. Should the spat escalate into a wider trade war, a downside risk looms for the loonie.

An analyst from Cambridge Global Payments believes the U.S. action was more political than economic. The punitive measure comes on the heels of the coming U.S. presidential elections in November 2020. However, COVID-19 is still the most dangerous disruptor. The pandemic is far from full containment.

Best preparation

Before any market crash, the best preparation is to take a position in pandemic-proof and recession-resistant assets like **Fortis** (TSX:FTS)(NYSE:FTS). This utility stock has defensive qualities and bond-like features that can endure financial meltdowns. If you're a risk-averse dividend-investor, Fortis is a must-own stock.

This $24.99 billion company is the largest investor-owned gas and electric distribution utility company in Canada. It also counts among the top 15 in North America. The stock holds its own against the COVID-19 shock, outperforming the broader market (+1.6% year-to-date gains). Similarly, the 3.57% dividend is safe even if market volatility heightens.

Barry Perry, President and CEO of Fortis, attributes the company's strength to its family of utilities. The adjusted net earnings in Q2 2020 were $258 million versus the $235 million in Q1 2019. Regulatory mechanisms are in place, enabling Fortis to deliver stable cash flows and pay dividends without fail.

Shaky ground

The current investment landscape has the makings of the Great Depression. There are striking similarities, although stimulus packages and clinical trials of COVID-19 vaccines are buoying investor confidence. Other dynamics, like the trade war and political issues, are adding uneasiness. Your best recourse is to play defence and get ready.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:FTS (Fortis Inc.)
2. TSX:FTS (Fortis Inc.)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Sharewise
6. Yahoo CA

Category

1. Dividend Stocks
2. Investing

Date
2025/08/25
Date Created
2020/08/12
Author
cliew