Yes, A Market Crash Will Come: Be Prepared

Description

The **S&P/TSX Composite Index** is inching closer to the pre-corona level following the horrendous market crash in mid-March 2020. As of August 14, 2020, Canada's main stock market index is down by only 3.2% year-to-date. Despite the fantastic recovery from COVID-19 lows, analysts and economists are predicting a sequel.

It's hard to believe the pessimism because the **TSX** is making great strides so far in the third quarter. Perhaps the underlying reason is the market's strange behaviour. Stocks are advancing amid deteriorating economic conditions. Canada is expecting GDP to contract significantly, and the unemployment rate to remain high.

If you ask investment gurus and doomsayers the time frame or when the market crash will happen, no can tell the precisely. However, the warning is load. It will come, so investors must prepare for the eventuality.

Recession to depression

With the country facing an eye-popping deficit this year, the recession can turn into a depression. The estimated budget shortfall is 16% ($343.2 billion) of GDP. In 2018, the figure was about 1% only of GDP. Furthermore, the federal debt will hit more than $1 trillion. It becomes both a financial and political burden for the Trudeau administration.

Risks on the table

The TSX usually mirrors the U.S. stock market. Wall Street analysts are expecting or saying the stock market crash will occur in 2021. Stock markets might continue the strong momentum and end evenly balanced in 2020. However, geopolitical risks can upset the motion and precipitate a sudden crash before the year is over.

A significant political event, the U.S. presidential elections is less than three months away. The U.S.

electorate will cast its vote on November 3, 2020. The results could influence or jar financial markets. Historically, incumbent U.S. presidents win re-election bids every time except when a recession occurs during their time in office.

Defensive captain

Many stocks are still trading at bargain prices since the recent market sell-off. However, if you're preparing for a crash, don't go for quick-rebounds. Instead, look for assets with bond-like features and best defensive qualities. **Fortis** (TSX: FTS)(NYSE:FTS) is the captain of the TSX's all-defensive team.

The share price ($53.38) of this utility stock is 1.1% higher than its price in early January 2020. It indicates that Fortis is holding well in amid the coronavirus outbreak. Similarly, it's outperforming the general market. Risk-averse investors need a stabilizer in their portfolios during highly volatile environments.

You're less likely to panic or find the need to rebalance your portfolio if Fortis is your core holding. The dividends (3.54%) are safe because the business model is low-risk. This $24.8 billion utility company takes care of distributing gas and electricity in Canada and the U.S. factor in the nearly five decades dividend streak and you have greater peace of mind.

Winning position

Nobody can accurately predict when the next market crash is coming. If it happens, it could be much worse and bring a more extended market slump. You can mitigate the risks by investing in stocks that can weather the downturn. In Fortis, you'll be in a winning position most of the time.

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1. Dividend Stocks
2. Investing

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Date
2025/08/25
Date Created
2020/08/18
Author
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