A 10.9% Unemployment Rate Could Cause the Next Housing Crash

Description

The stock market became a much-needed breath of fresh air for investors after it crashed significantly, leading into March. It bottomed out in March and rallied in the last few months to come close to the pre-pandemic levels. Despite the red-hot market, the economy continues to be in poor shape.

There has been a lot of anxiety surrounding the market since late spring. Investors who chose to stick to their investments through the summer saw some attractive gains. However, the possibility of another market crash is still there.

Market crash warning

Canada's real estate sector ties closely with the success of banks and the overall economy. In an unexpected turn of events, the real estate market in some of the most sought after areas showed signs of improvement despite the pandemic ravaging the economy. The CEO of the Canada Mortgage and Housing Corporation (CMHC) warned that the average prices of houses could fall by 18% from pre-pandemic levels.

Others believe that the prediction is too extreme from the CMHC CEO. Gord Nixon is the former CEO of **Royal Bank of Canada**. He said that extensive borrowing might not be as much of a factor leading to another housing market crash. However, he believes the current unemployment rate of 10.9% could lead to mortgage defaults and the need for deferrals. This factor could result in a worrisome situation for the stock market, as it affects the banking sector.

An economy on the mend?

The 10.9% unemployment rate is indeed an alarming figure. It is lower than 13% compared to what it was earlier in the summer, but it remains among historically high statistics. As economies gradually open up, a more significant number of jobs are becoming available for Canadian citizens. It could lead to a decline in the unemployment rate and possibly improve the situation.

There is a race to develop a working vaccine underway. Experts are predicting that there can be a widespread vaccine by some time in the middle of 2021. There is still time until a vaccine arrives. It can be a positive development in the fight against COVID-19.

However, if another major surge in cases occurs before the vaccine arrives, it could lead to a more devastating market crash. Economies will shut down much faster than the last time, and unemployment can soar higher than it has ever been.

A stock to grow your capital through the crash

The top-gaining stock in 2020 has been **Shopify** (TSX:SHOP)(NYSE:SHOP). At writing, the stock is up by more than 150% of its share price at the start of the year. Trading for $1,336 per share, Shopify has defied all expectations and continued to thrive amid the pandemic. The release of its Q2 2020 earnings report inspired greater investor confidence in the tech giant.

The company's revenues in the last quarter almost doubled from the same period the previous year. The lockdown and social-distancing measures proved beneficial for the e-commerce giant. As Shopify continues to profit from the changed consumer behaviour, its share prices continue to rise.

Even at its steep price right now, investing in the company could help you grow your wealth through another market crash. If there is one company that has the potential to see capital gains through the pandemic-induced market turbulence, it is Shopify.

Foolish takeaway

Various signs are indicating the possibility of another market crash. The stock market is likely in overvalued territory, and the fears of a second wave of infections loom overhead. I think investing in Shopify could be a safe choice for you, regardless of a market crash.

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