



CRA Cash Benefits: Another Stock Market Sell-Off Is Coming in September!

Description

The **TSX Composite Index** dipped 4.4% in early September, driven by steep double-digit declines in tech stocks. In the past few days, I have been writing about the possibilities of the stock market crash 2.0 and what can you do to safeguard your portfolio. There are chances that the stock market might see another steeper dip at the end of September or early October. What makes me believe that?

The stock market behaved in contrast to the economy in the last six months. The TSX Composite Index surged 16% while the real [GDP contracted 11.5%](#) in the second quarter. The stock market rally came on the back of the liquidity the Canadian government's emergency benefits gave to Canadians. If you look at the timeline of the Canada Revenue Agency (CRA) cash benefits and the stock market momentum, there is a direct relation.

Correlation between the CRA cash benefits and the stock market momentum

In March, the stock market fell more than 30%, as COVID-19 became a pandemic and a nationwide lockdown was implemented. In April, the Justin Trudeau government released emergency benefits, such as the Canada Emergency Response Benefit (CERB), which put \$2,000 in the hands of Canadians who lost their jobs. Never before has the government given such a large benefit to its citizens, irrespective of their income.

As Warren Buffett says, buy the stocks of companies whose products you see and use every day. Canadians purchased stocks of **Shopify** ([TSX:SHOP](#))([NYSE:SHOP](#)) and **Loblaw**. In the U.S., the **Nasdaq** hit an all-time high, driven by **Zoom Communications**. This stock rally was backed by the unemployment benefits.

In early September, [the CRA delayed the CERB payments by a few days](#), as it implemented extra layers of security after being hit by cyberattacks. A few days' delay made Canadians desperate, and they withdrew their money from Shopify, **Lightspeed POS**, **Kinaxis**, and other stocks that rallied triple digits in the last six months. These stocks fell between 15% and 20% in two weeks.

Confusion around EI could trigger another stock market sell-off

The stock market rally that was driven by the CRA benefits is likely to end with the benefits. What you witnessed in March would repeat after six months. The CERB is ending on September 26. CERB alternatives like Employment Insurance (EI), Canada Recovery Benefit (CRB), and Canada Recovery Caregiving Benefit (CRCB) are coming up.

The problem is the government has not yet passed the new benefits into legislation, preventing the CRA from releasing details about the alternatives. The details available so far have created confusion among Canadians; they're wondering if they will get the benefit or not. There is also confusion about where to apply and how to apply.

This confusion has made Canadians anxious. As the end of September nears, Canadians could get desperate and withdraw their savings to pay for expenses. This would trigger another stock market sell-off until there is clarity around the benefits.

Shopify is a stock to buy and hold for a long term

What is interesting is Buffett has been selling more and buying less during the market rally. He sold a large chunk of bank and airline stocks and purchased a small chunk of software-as-a-service and gold stocks. If you want liquidity, sell stocks that are hit hard by the pandemic, and not the ones that are growing in the pandemic.

Shopify is a stock that is as buy and hold for the long term. The company has been growing its revenue at a CAGR of 50%, and the pandemic just accelerated its growth. It has become the preferred e-commerce platform for all retailers. Grocers and food companies that were reluctant to go digital are now selling on the Shopify platform. They are high-volume clients that will significantly boost its transaction-based commission revenue.

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