Are We at the Start of a Stock Market Selloff?

Description

**Please note: The section below is an opinion of the writer, and not Lindsay Sackoff: *Because of the unplanned circumstances due to the pandemic, it would be best to have investment income during unexpected hardships. It's time to save for investment to improve your finances.*

Most global stock markets perform the weakest every September. The "September Effect" is the market anomaly that has been happening over the past 25 years. Some analysts, however, don't think it's the reason why the market is sliding lately. A sharp selloff might be forthcoming due to the resurgence of COVID-19 cases and recovering economies.

On Wall Street, investors worry about the outsized weight of tech titans. If these mega stocks experience even a minor downward correction, the effect on market averages could be overwhelming. Across the border, Investors must not be complacent, because uncertainty clouds the market environment as well.

Start of a selloff

Entering the third week of September 2020, the **S&P 500** is down 7% from the month's high. All eyes are on **Apple**, which usually gives clues to the overall market performance. The iPhone maker is a constituent in all three major U.S. indices — **Dow Jones**, S&P 500, an**d NASDAQ**.

The S&P/TSX Composite Index mirrors Wall Street's movements, although the tech sector comprises only 9.3% of Canada's headline index. Year to date, six of the 11 major sectors are down. Information technology is the best-performing sector thus far with a 35.92% gain. Meanwhile, the TSX is losing by 7.3%. The energy sector is the worst performer, with a 54.19% loss.

Summer euphoria is over

On September 23, 2020, the TSX slid 2.02% to 15,817.10. The materials sector fell as gold prices sunk to its lowest level in two months. Gold is also losing ground to the strengthening U.S. dollar.

Meanwhile, the Canadian dollar traded at its lowest level in more than six weeks versus the U.S. dollar.

The TSX's gains from COVID lows are eroding as we head into the fourth quarter of 2020. Canada's main index is heavily weighted to the financial sector (28.6%), which is down 16.87% year to date. In particular, the banking industry is vulnerable, and its performance hinges on the pace of economic recovery.

Opportunity in volatility

Still, you could look at volatility as an opportunity. Bank stocks have rallied too following the selloff in March. However, it could pull back again, as the impact of COVID-19 materializes fully. For would-be investors, the **Toronto-Dominion Bank** (TSX:TD)(NYSE:TD) could tank again to less than $50 per share.

The shares of the second-largest bank in Canada are trading at $60.17 per share. Despite its underperformance (-13.72%) in 2020, TD is an excellent option for income investors. The dividend offer is a high 5.23%. For the last 20 years, the total return is 458.86%, counting the downturns and recessions within the period.

Lindsay Sacknoff, TD's head of Consumer Deposits, Products and Payments, said people must take stock of spending and saving habits. Because of the unplanned circumstances due to the pandemic, it would be best to have investment income during unexpected hardships. It's time to save for investment to improve your finances.

Losing momentum

The chances of a massive selloff are high, given the potential triggers, such as the second wave of coronavirus cases and the upcoming presidential election in the United States. The TSX might lose steam and eventually give up the gains from the rally, as market volatility heightens.

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Date
2025/07/03
Date Created
2020/09/28
Author
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