



Pandemic Stock Market: Investing in a 2nd Wave

Description

For a while there, it looked like economies might be on track to reopen and get back to some kind of normality. But then the case numbers started rising again, and the prospect of a fresh round of lockdowns loomed on the horizon. Investors now find themselves in limbo, stuck between fading summer bullishness and the return of a quarantine market. Let's look at a few ways to play the situation.

Betting both ways on a second wave?

Johnson & Johnson recently revealed that its vaccine candidate Ad26.COV2.S is showing promising early signs. For the momentum investor with a strong stomach when it comes to risk, buying a single vaccine producer like JNJ [might pay off](#). Additionally, though, when it comes to vaccine production, "it takes a village," as the saying goes. In other words, multiple vaccines could end up hitting the market. This scenario lowers the risk of going all in on fewer pharma blue chips.

The lower-risk investor needs safer options, however. Luckily, there has already been one really bad market crash thanks to the pandemic. The March selloff, therefore, offers a range of hints and key tickers for casual investors to take a cue from this time around. Getting defensive doesn't require a total reinvention of the wheel — just look back at March and identify the names that stood strong through the onslaught of red ink.

Look back to March and buy stocks defensively

Loblaw ([TSX:L](#)) saw a change in consumer behaviour when the first round of lockdowns prompted panic buying. Granted, it might seem somewhat simplistic to expect an action replay during a second-wave quarantine. That said, though, a few shares in Loblaw set aside could appreciate sharply if grocery franchises are seen stockpiling goods for the winter period.

Indeed, there seems to be some evidence that this is the case. *The Wall Street Journal* [drew attention](#) last week to grocers beginning to build pandemic pallets ahead of the winter.

Defensive names like Loblaw appeal for a number of reasons. First of all, Loblaw has already been through the fire and come out the other side. March was as rough as the markets got this year — and it certainly was rough. There is every reason to assume, therefore, that another lockdown could have similar effects on stocks.

Investors should look to other names that came through the March selloff with fewer wounds than their TSX peers. Gold stocks such as **Newmont** were among the first to develop not just an immunity to the pandemic market, but to actually use it for fuel.

On the other end of the spectrum are financials — the banks and insurers that got chewed up by the pandemic. Many of these stocks are still significantly negative year on year thanks in large part to the pandemic. investors who already have plenty of exposure to financials may want to trim such names and free up liquidity. holding cash will allow investors to build positions in stronger names as the market deteriorates.

CATEGORY

1. Coronavirus
2. Investing

TICKERS GLOBAL

1. TSX:L (Loblaw Companies Limited)

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Date

2025/08/25

Date Created

2020/09/29

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