Market Crash Warning: 2020 Can Go From Bad to Worse

Description

A recession usually goes hand in hand with a stock market crash. If the economy is entering a deep recession, the next market crash could be genuinely worse. A general slowdown is happening because the second wave of COVID-19 is developing. After a remarkable rally, the S&P/TSX Composite Index is flirting with a bear market again.

Wall Street investors also fear a stock market storm. COVID-19 cases are spiking daily in the U.S., while the political drama is intensifying. According to one analyst, it's a wild time in the markets. The knock-out effects of the pandemic are far and wide. A return to lockdowns is looming and could cause another round of market chaos.

Frightening scenario

The TSX made a resounding rally from May to August, but the index is starting to skid in September. As of September 25, 2020, six of the 11 major sectors are losing year to date. In the March 2020 selloff, coronavirus fears halted trading. Canada's 10-year bonds dropped to a record low 1.05%, while the Canadian dollar fell as much as 0.5% to 74.27 U.S. cents.

A repeat of the scenario is untenable, given the restarting economy. Meanwhile, the unemployment rate dipped to 10.2% in August, although the job gain was lower by 41.3% versus July. Displaced Canadian workers are fortunate the federal income-support measures are replacing lost income in the pandemic.

Fiscal firepower

Governor General Julie Payette read the throne speech of Prime Minister Justin Trudeau in the Senate Chamber on September 23, 2020. The Trudeau administration presented an economic recovery plan that includes creating one million jobs and returning employment to pre-pandemic levels.

Trudeau pledges to use the country's available fiscal firepower to overcome short-term challenges. His administration will present its economic and financial position in the budget update in fall through the minister of finance. Canada's budget deficit is on track to equal to 16% of GDP in 2020.

Solid foundation

For worried investors, prepare for the market crash and fortify the foundation of your portfolio. Utility company **Hydro One** (TSX:H) should be a worthy addition. This $16.96 billion company delivers electricity to 1.4 million residential and business customers mostly in Ontario.

The provincial government fully supports Hydro One's electrical transmission and distribution operations. It has economic and competitive moats, as it has a captured market. Competition is never an issue because of restrictive entry barriers. Thus, revenues are reliable and recurring. Likewise, dividends are safe. Current investors are winning by 16.41% year to date and partaking of the modest 3.6% dividend.

The company has yet to achieve Dividend Aristocrat status, although it has increased dividends for four straight years. Dividend growth is a strong possibility, considering the low 32.93% payout ratio. Hydro One is not as exciting as the high-flying tech stocks. However, we're speaking of a massive market crash. It would be best if you had stability, resiliency, and income consistency in your portfolio.

Flashing signs

Signs are flashing that a stock market crash is imminent. However, the date is unknown, which is unnerving. Other than stimulus packages, new catalysts like a vaccine should come to avert a catastrophe.

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