



## Canadian Stock Market: Brace for a More Volatile October

### Description

Canadian stock markets were rallying amid the pandemic until September. But the second wave of the outbreak and weakness in the tech sector halted the recovery last month. Heading into October, **TSX** stocks look even more vulnerable, given the uncertain economic recovery.

### Canadian stock market and the economic recovery

The TSX Index has soared more than 40%, while the **S&P 500 Composite Index** has recovered 55% from their respective lows in March. If the Canadian stock market wants to keep its upward climb, it should be backed by a stable economic recovery, along with decent corporate earnings growth. However, that seems unlikely.

According to the Conference Board of Canada, a leading independent think tank, the country's economic recovery [pace will flatten](#) through mid-2021. Many economies, including Canada, sported an above-average recovery since May as they re-opened from weekslong shutdowns.

However, the second wave remains one of the biggest threats to recovery. The think tank is of the opinion that some industries in Canada may never fully recover, and we might not reach the economic normal until the vaccine reaches to a large portion of the population. Canada's unemployment is not expected to return to pre-COVID levels until 2025.

Interestingly, with heavy testing and other health measures in place, we might not see full lockdowns as we did in March 2020, which will likely lower the blow on businesses and unemployment.

### Canada: Corporate earnings growth

Along with economic stability, corporate earnings growth will play a major role in driving the **TSX** stocks. Concerningly, it will likely remain uneven, as the financials and energy markets are in deep trouble. TSX stocks rallied in the last few months, but the rally was not all-inclusive. It was mainly fuelled by very few top-weighted tech stocks.

Canadian corporations will start reporting their Q3 earnings in a couple of weeks, which will pave the path for them through 2021. The stimulus hopes south of the border will also be a key driver for global equities.

Notably, almost all the companies avoided announcing earnings guidance for 2020, given the pandemic-driven uncertainty. Corporate investments will remain lower amid these uncertainties and will stall growth. So, the management commentary will be an important guide this earnings season.

## Top TSX stocks that are digging deeper

Investors must be keeping a close watch on some of the biggest stocks like **Suncor Energy** ([TSX:SU](#)) ([NYSE:SU](#)) and **Air Canada** ([TSX:AC](#)). Both the energy and aviation sectors are worst hit amid the pandemic and have a gloomy outlook. Suncor Energy stock has lost almost 65%, while [Air Canada](#) has also underperformed on similar lines. What could be more concerning for Suncor and Air Canada investors is their upcoming earnings. They are already trading close to their decade-low levels, and poor earnings might push those even lower.

Notably, Air Canada stock has not fallen below \$15 levels, despite the flurry of negative news in the last six months. These levels should act as crucial support in the short to medium term. Suncor Energy stock is currently trading close to \$15, which is very close to its 15-year low levels hit in March.

## Bottomline

Canadian stock markets will continue to remain volatile in October, given the uneven economic recovery amid the pandemic. Besides, U.S. presidential elections will further fuel volatility in stocks. Long-term investors might get worthy opportunities, as mentioned above, in these uncertain times. However, timing the markets could get extremely risky.

### CATEGORY

1. Coronavirus
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### TICKERS GLOBAL

1. NYSE:SU (Suncor Energy Inc.)
2. TSX:AC (Air Canada)
3. TSX:SU (Suncor Energy Inc.)

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