Yes, the Market Will Crash Again: Are You Ready?

Description

The coronavirus fear is back with a vengeance and causing unease in the stock market. Even the news that U.S. president Donald Trump tested positive for COVID-19 caused a mild shock on Canadian equities. The pandemic situation is far from over, and if it grows steadily worse, investors must be ready for the last-quarter storm.

Panic gripped stock markets back in February and March 2020. The market rout saw the S&P/TSX Composite post its most significant single-day decline since 1940, plunging 12.34% on March 12, 2020. It sunk to 11,228.50 seven trading days later. Canada's main index erased four years of gains as a result.

If coronavirus cases surge again and trigger strict lockdowns, the next bloodletting could be worse than the March free fall. Other factors, such as the U.S. presidential elections and rising unemployment, can further destabilize the environment.

Don't panic: Hang around

Investment experts are not advising people to run for the hills. You'll incur losses by owning bad stocks, but you can ride out the storm with quality companies. Prepare by re-balancing or de-risking your portfolio. Investing requires that you match your risk tolerance and time horizon, whether mayhem is coming or not.

Imagine sailing a ship in rough waters. When the waves are wild, you need to balance the ride by adding a heftier keel. The keels could be bonds or gold, which are known as safe assets during market downturns. If you're holding onto stocks, make sure to pick those with defensive qualities.

Many believe the situation will get worse before it gets better, so you'll have to hang around for a while. In Canada, fiscal supports like the Canada Emergency Response Benefit (CERB) are vital to maintain spending and avoid financial distress. New emergency measures are in place to provide an uninterrupted backstop to household incomes.

Perfect keel

Aside from bonds and gold, the renewable energy industry is the third option to counter potential market carnage. The industry is evolving, and growth should accelerate over the next five years.

Power producer **Brookfield Renewable** (TSX:BEP.UN)(NYSE:BEP) is well positioned to deliver high-powered earnings and dividend growth through 2025. This $13.08 billion company is benefiting from technological advances and lower construction costs, according to its CEO Sachin Shah.

The early leader in the renewable energy space focuses on hydroelectric power before, but adding more solar, wind, and energy storage platforms is ongoing. Likewise, investors can expect a stream of acquisitions and development projects.

Thus far, in 2020, the utility stock's gain is +52.38% versus the -5.06% of the TSX. Brookfield Renewable has been raising dividends since 2000 by 6% annually. Currently, the yield is a respectable 3.23%. With incredible growth potential ahead, you have the perfect keel to navigate the rough seas.

Precautionary steps

The flare-ups in new COVID-19 cases will stall, if not prevent, a full economic recovery in Canada and elsewhere in the world. Likewise, political events and permanent job losses can incite another market crash.

Thus, it becomes imperative to take precautionary steps like re-balancing or de-risking your portfolio. We're not sure if the last quarter storm will have the same intensity as the tsunami in mid-March 2020.

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