Canada Recovery Benefit Stalls Stock Market Crash: What's in it for You?

Description

Billionaire investor Warren Buffett and many analysts are waiting for the next stock market crash, as the market is not in sync with the state of the economy. In September, when the **TSX Composite Index** fell 5.3%, investors were on alert, as they feared the market crash is finally here. However, the market returned to growth on September 24 after the Speech from the Throne announced the Canada Recovery Benefit (CRB) and other benefits for sickness and caregiving. Since then, the index has surged 4.7%.

What is driving the stock market rally?

It seems like the new Canada Revenue Agency (CRA) cash benefits have stalled the stock market crash by injecting more liquidity into the economy. The TSX Composite Index rose in April, because the Canada Emergency Response Benefit (CERB) increased household disposable income by 10.8%. As interest rates were near zero, Canadians put some of this money in stock markets.

The whole composition of the TSX Composite Index changed in the pandemic rally. Finance and energy stocks once ruled the index. For a long time, **Royal Bank of Canada** held the position of the highest-valued stock on the Toronto Stock Exchange. But the ultimate virus stock, **Shopify**, overtook it to become the highest-valued stock in Canada. Similarly, **Suncor Energy** was the highest-valued energy stock, but **Canadian Natural Resources** recently overtook it in terms of market capitalization.

This change in stock market composition shows that the economy is changing. The stock market rally is actually in sync with the economy, which means another market crash is unlikely. In my previous articles, I've stated that another stock market crash is inevitable. But the correlation between the stock market and the economy changed my perspective.

The stock market rally is here to stay

The stock market rally is here to stay, because the pandemic has made people more cautious about spending. They are saving more and spending less, which has indirectly slowed economic recovery.

The gross domestic product (GDP) increases when there is a lot of buying and selling.

The Justin Trudeau government has put the new CRB and Employment Insurance in place for a year. Such a long period removes investors' fear that the benefits will end and they will be cash strapped. This fear is what pulled back the market in September, as the CERB was ending, and people cashed out their stocks over uncertainty around October cash benefits.

The government has at least stalled the market crash for a year with the new benefits. It is hoping to reduce the unemployment rate by creating jobs, incentivizing people to return to work, and providing financial aid to small businesses for generating employment. If people start working again, they will have liquidity even without the CRB, which means they won't cash out of their stocks out of panic. It is the panic selling that causes the stock market to crash.

These post-pandemic stocks can double your money

You can make the most of the current market environment. The virus stocks drove the stock market rally during the pandemic. But now the recovery stocks would drive the market rally in the COVID-19 economy. One of the post-pandemic stock is **Descartes Systems** (TSX:DSG)(NASDAQ:DSGX).

Descartes provides supply chain management solutions. The logistics and supply chain is the biggest challenge in the post-pandemic world where everything has to be flexible and scalable. The airlines are changing their flight schedules regularly to tackle travel restrictions. E-commerce orders are growing by leaps and bounds, and order fulfillment is a big challenge. Businesses are reluctant to commit to long-term arrangements, given the pandemic uncertainty. For such companies, Descartes also provides single-transaction solutions.

Investor corner

Descartes stock has surged 32% year to date. This stock could continue to grow in the post-pandemic world at an average annual rate of 20%. Invest $400 every month in this stock through the Tax-Free Savings Account (TFSA) for the next five years. On your contribution of $24,400, the stock will earn you over $16,000, leaving you with $40,500 in your TFSA.

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1. NASDAQ:DSGX (Descartes Systems Group)
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