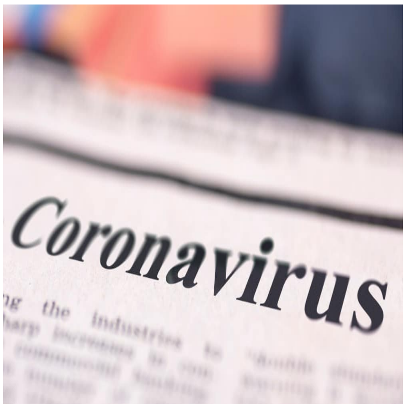

Will the 2nd COVID Wave Bring a 2nd Market Crash?

Description

Canada's economy is bouncing back in recent months following the lifting of pandemic lockdowns. The labour market recovered nearly two-thirds of jobs lost during the height of the pandemic. Sadly, the recovery is losing momentum because of a major disruption, the second wave of COVID-19.

The Conference Board of Canada forecasts the pace of economic recovery to flatten, if not stall, between now and mid-2021. Aside from the rising cases of COVID-19, the cold weather in winter will aggravate the situation. On the investment front, stocks might be facing another swift and severe market crash.

High-frequency indicators

According to economists from **Scotiabank** and **Toronto-Dominion Bank**, the intense summer rebound did not sustain. TD said the next phase of the recovery will be the hardest yet.

Scotiabank's Nikita Perevalov notes the drop in consumer spending in August and September after the upward trends in April and mid-July. Credit and debit card data is starting to show a flat-line trajectory.

Shutdowns of restaurants and bars are back in Montreal and Quebec, while Peel and Ottawa are becoming hot spots. The pace of growth is also uneven. While the economy regained 95% of its pre-corona size, only five of 20 industrial sectors were producing more in July than February.

As of July 15, 2020, data from Statistics Canada shows that agriculture, utilities, finance, and real estate sectors have grown since the pandemic began. Generous government income supports buoyed the retail trade sector.

The **S&P/TSX** isn't doing badly at all at the start of the last quarter of 2020. From a COVID-19 low of 11,228.50 on March 23, 2020, the index is 16,562.80 as of October 9, 2020, a 48% rebound. The TSX is down by only 2.93% year-to-date. However, the index could tank once more due to the impact of COVID-19's second wave.

Top agriculture dividend stock

Income investors can consider a top agriculture dividend stock since the sector is gaining traction in the pandemic. **Nutrien** (TSX:NTR)(NYSE:NTR) from Saskatoon, Canada, offers a 4.45% dividend. This $30.62 billion company is the world's biggest potash producer.

Aside from potash, the crop nutrient producer also provides agricultural solutions, including nitrogen and phosphate-based fertilizers, to customers worldwide. It's an old-school business that's adapting to technological advances. Because of the pandemic, Nutrien conducts more than 45% of its sales in North America digitally.

Management attributes the lower net earnings in the first half of 2020 versus the same period in 2019 to significantly lower crop nutrient prices. Total sales, however, grew by 2% year over year to US$12.6 million. The quality of assets and impressive free cash flow generation are the key strengths of the company.

Nutrien's President and CEO Chuck Magro expects online orders to reach $1 billion by year-end 2020. The company will also introduce new data-driven offerings to help farmers make quicker and more informed decisions for their business.

Best case scenario

No one is sure when the market crash will happen. However, if the second wave of coronavirus hits Canada severely, it will destabilize the equities market and inflict pain on stocks. Let's hope the health measures and current testing across the country could prevent another full shutdown of economic activity.

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