



## Market Crash: Is the Worst Yet to Come?

### Description

The [2020 market crash](#) will be going down in the record books as being the steepest +30% sell-offs in the history of the stock market. While the markets have recovered a considerable amount of ground since Mr. Market pulled the rug from underneath investors back in February and March, with some U.S. indices now well above their pre-pandemic highs, I think investors would be wise to curb their optimism, as the [worsening coronavirus crisis](#) could easily grip this market once again. And given the recent rise in the appetite for speculation, there are reasons to be concerned that the next market crash could be just as vicious as the one we suffered in the first quarter.

## Could another COVID market crash be on the horizon?

The U.S. Fed looks ready and willing to step in should selling activity get out of control again. To many investors, the unprecedented backing and stimulus are seen as a green light to buck up the truck on stocks, with little regard for the price paid. Sure, the pandemic makes it hard to evaluate certain affected companies, but that's still no excuse for paying whatever Mr. Market asks for.

With ample liquidity being pumped back into the market, there's the risk that the relief has overshot, and the September correction may be the start of a steeper market crash that could have us visit bear market territory for the second time this year.

## Market crash: What should you do amid surging volatility?

Nothing drastic. Stay the course, but make sure you've got some cash on the sidelines to do some buying if the TSX Index falls back into bear market territory amid worsening COVID-19 cases.

The second wave (or third in some localities) of COVID-19 could certainly spark another vicious sell-off in the **TSX Index**, or it may send us into a prolonged channel of consolidation that we'll be stuck in until the insidious coronavirus is finally conquered.

Given central banks are willing to throw everything but the kitchen sink to avoid a revisiting of those

March depths, I'd say investors should expect a roller-coaster ride of a stock market that could improve your odds of bagging a stock that's priced at a huge discount to its intrinsic value range.

## So, is the worst yet to come?

With regard to this pandemic, I'd say it's likely that the worst has yet to come. There's no telling how many horrific waves we could be due for and how much more damage the economy will have to suffer. That said, the stock market isn't a precise gauge of how the economy is doing or the severity of a COVID-19 outbreak at any given instance.

As you may know, the stock market is a lens into the future of the economy. At this juncture, investors are expecting a modest (not quite V-shaped) recovery in 12-18 months, with a safe and effective vaccine that could be available in the second half of 2021.

If it turns out that the K-shaped 2021 recovery is off the table, there's no question that another market crash could be on the table. But such a crash, I believe, is a buyable one, as the U.S. Fed is likely to step in quickly once again to ease the fears and pains of investors.

## Market crash or not, your long-term investment strategy should remain largely unchanged

If you're still worried about a market crash, you may wish to increase your exposure to lower-beta names, such as the **BMO Low Volatility Canadian Equity ETF** ([TSX:ZLB](#)) to help your portfolio smoothen the big bumps in the road.

The ETF holds some beaten-up, low-beta Canadian stocks that are more likely to zig while the rest of the markets zag. Although another cash crunch could pressure the ZLB, as it did back in February and March, I think the ETF provides a decent risk/reward tradeoff versus the likes of the undiversified TSX Index, which is heavily weighted in some of the hardest-hit sectors (energy and financials) of the market that may struggle to recover out of this pandemic.

### CATEGORY

1. Coronavirus
2. Investing
3. Stocks for Beginners

### TICKERS GLOBAL

1. TSX:ZLB (Bmo Low Volatility Canadian Equity ETF)

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