
# 3 Signs A Stock Market Sell-off Is Fast Approaching

### Description

A stock market crash like the [all-out implosion] in March 2020 is possible, and analysts believe it is fast approaching. The **S&P/TSX Composite Index** posted its worst one-day fall in eight decades on March 12, 2020. However, the TSX managed to stage a rally as if COVID-19 was not a bad thing.



On June 23, 2020, the index climbed 38.6% to 15,564.80. As of this writing, the pandemic remains the highest-prominent immediate risk. However, two other factors and join forces with COVID-19 to facilitate another dramatic market selloff soon.

## 1. Exponential increase in COVID-19 cases

If coronavirus becomes more serious and the pandemic extends further, the equities market could tank once more. According to Dr. Tedros Adhanom Ghebreyesus, Director-General of the World Health Organization (WHO), the next few months will be tough because too many countries are seeing an exponential increase in cases.

Many provinces in Canada are reporting a surge in COVID-19 cases after Thanksgiving celebrations. Experts cite fewer restrictions and increased testing capacity as the reasons for the increasing numbers. Health officials said social gatherings and inconsistent use of social distancing and masks are significant risks for spreading the virus.

## 2. Labour weakness

The unemployment rate in Canada is trending lower after posting a record-high 13.7% in May 2020. It has been going down every month since, indicating recovery. The rate in September was 9%, and the forecast for October is 9.7%.

If businesses shut down again due to the second wave of COVID-19, furloughs and temporary unemployment might kick in again too. A protracted labour market weakness will stall recovery. While the economy has recovered three-quarters of jobs lost, the situation is still abnormal. Millions might need to isolate once more, and for months on end.

## 3. Political storm

You can't dismiss the impact of the U.S. presidential elections. Whether the incumbent wins or a new administration sits, it will still influence the stock market. Canada is "sleeping with the elephant," so to speak. Anything that happens in the U.S., good or bad, will cascade to the economy and the TSX.

## Due for a breakout

**Toronto-Dominion Bank** (TSX:TD)(NYSE:TD) is an attractive investment option for both American and Canadian investors. But since the second-largest bank in Canada has a substantial footprint across the border, a significant shift in the U.S. markets could directly impact TD and other Canadian businesses.

Income investors feel comfortable owning the bank stock because of its prodigious 162-year dividend track record. As of October 23, 2020, its market capitalization is $109.68 billion, while the dividend offer is a lucrative 5.22%. The dividends should be safe and sustainable, too, given the 59.3% payout ratio. Also, the income could be for life.



Management appears unperturbed by the political uncertainty and electoral showdown in the U.S. on November 3, 2020. TD is one of the best retail franchises in North America. The bank has been executing its strategies well. Its shares are likely to break out when the economy in the U.S. and Canada improves.

## Fourth risk factor

Canada's emergency measures are ongoing to prevent a decline in consumption that could impact the economy. However, if the stimulus packages dry up, it's another risk factor to consider.

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