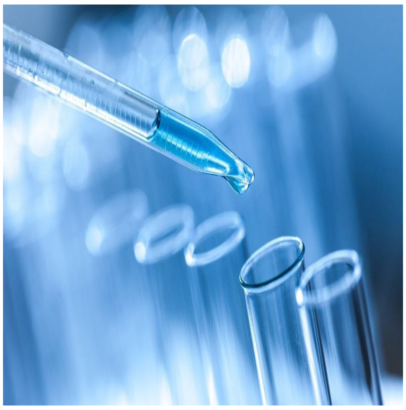


Market Rallies on COVID Vaccine Hopes: What Should You Do?

Description

The stock market rallied last week, because of a breakthrough in a COVID-19 vaccine. **Pfizer** and **BioNTech** released an early snapshot of the phase-three trials for their coronavirus vaccine.

In the initial result, 94 confirmed COVID-19 cases were tested. It suggested the vaccine was 90% effective at preventing the virus. So, the data is looking very good so far.

The study will continue until it reaches 164 confirmed cases — a number that the U.S. Food and Drug Administration (FDA) agreed is enough to tell how well the vaccine works. The agency also requires that any vaccine must be at least 50% effective.

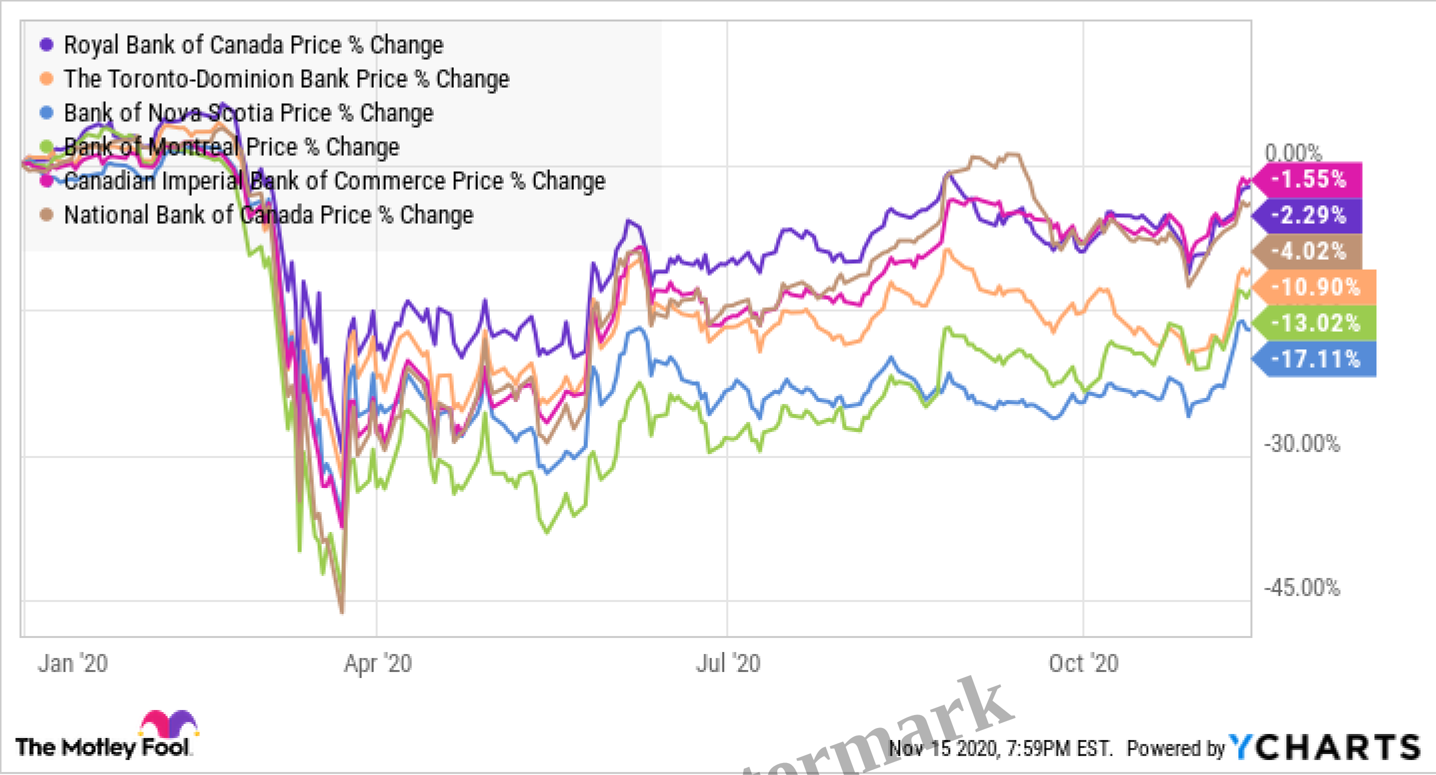
If things go smoothly as planned, BioNTech said the vaccine will start being distributed this winter, and we can go about our normal lives by next winter.

Here are some ways you can invest for outsized returns prospects based on the vaccine news.

Invest in value stocks that pay big dividends

Many stocks are still severely depressed by the pandemic impacts. Some are dividend stocks that pay big income. Investors looking for passive income should take advantage of these stocks while they are still on sale today.

Choose your favourite big dividend bank: **Bank of Nova Scotia** (TSX:BNS)(NYSE:BNS) yields 5.9%, while **Canadian Imperial Bank of Commerce** yields 5.5%.



Data by YCharts. Year-to-date price action comparison of the Big Six Canadian banks.

BNS stock has been the worst-performing Big Six bank stock year to date because of its exposure to emerging markets in the Pacific Alliance countries. In a growing global economy, this exposure would be a tailwind. However, in the contracting economy we're experiencing this year and in the near term, it's a headwind.

In the first three fiscal quarters, BNS increased its revenue by 3% year over year, while its adjusted earnings per share dropped by 21%. The earnings cut was predominantly due to higher provision for credit losses, as the bank set aside a greater reserve in anticipation of a higher percentage of bad loans.

During the period, BNS stock's payout ratio was just under 70%. So, Scotiabank will have no problem maintaining its dividend. To be cautious, regulators likely won't allow the big Canadian banks to increase their dividends in the near term, though. Therefore, buyers today can assume BNS will resume dividend growth only when the macro environment stabilizes.

If you have an investment horizon of at least five years, BNS stock can deliver the greatest returns of the banks on a reversion to normalcy.

Invest in discounted growth stocks

The pandemic has also triggered selloffs in quality growth stocks like **Brookfield Asset Management** (TSX:BAM.A)(NYSE:BAM). BAM has held up better than its subsidiary, **Brookfield Business Partners** (TSX:BBU.UN)(NYSE:BBU).

Because of BAM's diversified business, its operations are only 10-20% impacted — much of its impact is from its 63% stake in BBU and 52% stake in **Brookfield Property Partners**.

In contrast, Brookfield Business Partners is more greatly impacted. BBU deemed 40% of its business to have limited impact, 55% to have manageable impact, and 5% to have material impact.

BAM and BBU are both discounted, but the latter is a bigger bargain. Notably, BAM is a much more diversified business that aims for long-term rates of return of 12-15%, while BBU aims for 15-20%.

Both growth stocks are decent buys after consolidating if you have an investment horizon of at least three years.

CATEGORY

1. Coronavirus
2. Dividend Stocks
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4. Stocks for Beginners

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1. Editor's Choice

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2. NYSE:BN (Brookfield Corporation)
3. NYSE:BNS (The Bank of Nova Scotia)
4. TSX:BBU.UN (Brookfield Business Partners)
5. TSX:BN (Brookfield)
6. TSX:BNS (Bank Of Nova Scotia)

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Date
2025/08/25
Date Created
2020/11/17
Author
kayng