Market Crash: Partial COVID-19 Lockdowns Could Cause More Panic-Selling

Description

That was fast. Just like that, and the new vaccine breakthroughs and the more-favourable-than-expected U.S. election results are no longer enough to keep the markets going.

Indeed, investors have found a new slate of things to be worried about. Although the recent slate of good news delivered in early October is a massive deal, surging coronavirus cases remain at the back of investors' minds. The threat of partial COVID-19 lockdowns could cause more economic damage. With little clarity on what to expect regarding fiscal stimulus, Mr. Market may have one more COVID-induced market crash to serve investors before the next big rally that many big banks foresee in the new year.

Market crash: COVID-19 lockdowns looming?

Since September, stocks have been a stomach-churning roller-coaster ride of emotions. Although recent recovery out of the depths of the first and second quarters has been encouraging, the economy is probably going to take several steps backward before it can sustain a recovery.

As you may know, the stock market is not the economy. And although investors have been anticipating a great deal of economic pain, horrendous news could spark another meltdown. And such a meltdown should not be "wasted" by investors who seek to punch their ticket to outsized gains once the sustained economic recovery can be met once shots have a chance to be administered.

In this piece, we'll have a look at a COVID-19 recovery play that should be bought if coming restrictions spark a return to October lows.

Don't give up on the COVID-19 recovery plays

Restaurant Brands International (TSX:QSR)(NYSE:QSR) is a quality dividend-growth play that is at risk of losing ground once the COVID recovery trade runs out of steam amid a drastically worsening second wave of coronavirus cases.

The Bill Ackman-owned stock is highly liquid and is destined to survive the coming partial-lockdown-induced economic onslaught that's likely to send many smaller restaurants to the brink. Still, shares of QSR may be at high risk of surrendering some of the ground lost in recent weeks, and investors should be ready to back up the truck before the "real" COVID recovery begins.

Restaurant Brands is a fast-food kingpin that's committed to making major strides to improve its business. The company behind Popeyes, Burger King, and Tim Hortons has been lagging its more resilient peers all year. With modernization efforts underway, Restaurant Brands looks to be one of the most attractive long-term opportunities in the quick-serve restaurant space, as the page is turned on 2020.

The company is capable of tremendous long-term growth while still being able to grow its dividend at a generous annual rate. Today, shares sport a 3.5% yield, which ought to be locked in by investors before the stock has a chance to recover in a post-pandemic environment that's likely to compress the yield back below the 3% mark.

Foolish takeaway

Restaurant Brands's capital-light business model allows its investors to get the best of both worlds in the form of high income and growth over the long haul. As such, the stock should be bought on any further dips if COVID recovery plays are to fall out of favour once again amid imminent "partial" lockdowns.

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