November 2020: The Best Month in Decades for the Market

Description

The year 2020 started on a disastrous note for the broader market as the global market-wide sell-off triggered panic among investors. In March 2020, the World Health Organization declared the coronavirus a global pandemic. WHO's pandemic declaration came as the virus started wreaking havoc in many countries — months after originating in China.

COVID-19 impact on the businesses

Even a worse phase for businesses started when countries — one after another — started imposing nationwide shutdowns and shelter-in-place orders to slow the spread of the virus. Although most of these nationwide restrictions have been lifted, many countries are still trying to contain the virus by imposing new restrictions in selected areas where the COVID-19 cases are high.

These restrictions turned out to be devastating for many businesses — especially for small businesses. These small businesses had neither the resources nor the adequate infrastructure to rely on remote work completely. As a result, many of such companies collapsed in the lack of funds to operate. The companies that survived are still struggling to get back to normal.

Market ups and downs in 2020

As the businesses across the globe started suffering from big losses, it made the investors worried. The **S&P/TSX Composite Index** lost 21.6% in March 2020 — making it the worst month in over a decade. However, this sharp drop was followed by a gradual but consistent recovery in the next five months.

After falling again by 2.4% and 3.4% in September and October 2020, respectively, November is turning out to be the best month in decades for the Canadian stock market benchmark. As of November 26, the **TSX Composite** has seen an 11.4% rise.

Even if the index ends the month at current levels, it would be its best month since December 1999 when it rose by 11.8% for the month.

Market opportunities

November market rally has opened many opportunities for investors. For example, the shares of large Canadian banks such as **Royal Bank of Canada** (TSX:RY)(NYSE:RY) and **Bank of Nova Scotia** has gone up significantly this month. RBC — the largest Canadian bank — has risen by 16.2% in November. These banks will release their earnings next week.

Recent COVID-19 vaccine-related positive developments could be one of the reasons for these sharp gains. Also, investors' expectations of an improvement in the Royal Bank of Canada's upcoming earnings trend could be another reason driving optimism.

Bay Street analysts are also expecting Royal Bank of Canada's earnings trend to improve in the latest quarter to $2.23 per share — much better than its adjusted earnings of $1.03 per share the previous quarter. RBC is expected to report an improvement in its net profit margin to 25.1% in the Q4 of fiscal 2020. In the previous quarter, its adjusted net profit margin stood at 24.3%.

RBC currently has a 4% dividend yield. If the bank manages to beat analysts' expectations in its fourth quarter, it could trigger another buying spree in its stock. Overall, the market still has many opportunities to buy stocks cheap.

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