



Here's Why January 2021 Is When the Market Will Crash!

Description

If Canadians were to simply use the stock market as a sign of how the economy is doing, we'd think everything must be totally fine! In fact, you might think the pandemic is over, debt is gone, and that the world has simply gone back to normal. Unfortunately, that's simply not the case.

The **TSX Composite** fell by 38% during the last stock market crash, as COVID-19 swept through the world, hitting Canada in the process. Then, as the government tried to get cash to Canadians as quickly as possible, it looked like we might just avoid an enormous financial crisis.

However, this is optimistic. Now, in my opinion, it looks like not only is another market crash on the way but is quite likely to hit mid-January. Here's why.

Band-aid solution

Back in March, the Canadian government had one goal: get cash to Canadians as quickly as possible. This came out as the Canada Emergency Response Benefit (CERB). Pretty much any one could apply at that point, with the goal that Canadians could then put money back into the economy during this tough time. Even if those Canadians had lost their jobs.

But since then, the goal has changed. It's now get Canadians back to work. This has led to different benefits becoming available that are only dished out if you come into a pretty narrow and downright depressing set of circumstances. On top of this, the Canada Revenue Agency (CRA) announced that thousands of Canadians would have to pay back those emergency payments, as they were not eligible when applying. This means Canadians will soon have money coming out of their pockets — money that may already have been spent.

Vaccine euphoria

CERB and its counterparts were fueling the market, and finally, in the summer, businesses were able to return to work. By September, many businesses were pretty much opened as usual, and revenue

was finally coming in again. Then [earnings](#) came out, telling tales of a country on the rebound. Everything looked grand.

Then came the vaccine announcement! There was even more euphoria in the markets at the potential to have a vaccine that would be about 95% effective, depending on the company. This has sent stocks ever higher at the news.

However, investors need to be incredibly careful here. There might be a vaccine on the way, but you aren't going to see that needle in your arm any time soon. The people getting it first will be those that need it the most: the elderly, immuno-compromised, and the like. Businesses still have a long way to go before seeing a real rebound from a vaccine.

Finally, earnings

While the last earnings reports were full of hype, the next earnings season coming out in mid-January is likely to be far less rosy. The one after that could be even worse. That's because COVID-19 cases soared across Canada in the fall. We're now dealing with a [situation](#) where it's likely the holidays could be spent in lockdown in multiple areas across the country.

Yet it's also likely that Canadians will simply ignore recommendations and see loved ones. This could drive cases to a fever pitch, causing even more shutdowns. So, first, we'll see an earnings drop from what we saw in the fall. Then we'll see another earnings drop likely in March. That means the next market crash could hit as early as mid-January and as late as March. But I highly doubt it will any time after that.

Bottom line

Prepare. Don't panic. Be aware of the situation, so you can deal with it. If you have profits in companies you're not sure about, take those profits and invest in companies you know will be around for decades. You could even set aside some cash for the next market crash to invest more in those companies. Bottom line: don't sell in a panic. The market will trend upwards again, even after another market crash. Just stay calm and hold on tight to your strong stocks.

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Author

alegatewolfe

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