



Market Crash 2021: 2 TSX Stocks Most at Risk

Description

After what was one of the most hectic years in recent memory, heading into 2021, the risk of a market crash is still significantly high. Many **TSX** stocks are trading at or near all-time highs, and analysts are expecting a big rebound.

The economy is still in extremely rough shape, and we don't even know how bad it will be at the end of the second wave or even once the pandemic is finally over.

Many investors had already expected a market crash coming into this year. While this did occur, it was caused by the coronavirus pandemic. A natural market crash is normal and part of the business and economic cycle.

So if many were expecting that to start 2020, after an incredibly hectic year, and with most stocks higher than when they entered the pandemic, if you thought there was a strong chance of a market crash happening this year, then next year looks extremely likely.

That doesn't mean you should go out and sell all your stocks, but investors should be aware of the risks that persist.

There are several stocks that could be highly vulnerable in another market selloff. And even if the market as a whole doesn't crash, if the economy takes longer to bounce back than policymakers hope, some of these stocks may not survive.

Here are two stocks investors should be very careful about or avoid altogether.

Avoid restaurant stocks in a market crash

Not all restaurant stocks are going to be impacted the same. Quick service restaurants (QSRs) like **Pizza Pizza**, for example, never saw much of an impact and have recovered quickly.

On the other hand, restaurant stocks like **Boston Pizza Royalties Income Fund** ([TSX:BPF.UN](https://www.bourseinvestments.com/stocks/BPF.UN)) have

naturally experienced a much worse effect from the pandemic and, consequently, have a lot more risk.

So while the stock could look enticing trading down roughly 35% from its 52-week high, investors should be aware of the major risks.

First, there is the risk that individual restaurants could go out of business during the restrictions caused by the pandemic. Second, even if these businesses can survive the pandemic, they could still fold after the pandemic is over.

There is no guarantee that the economy will have recovered to be in great shape. So if consumers are still struggling and don't have the money for sit-down restaurants, we could see more go under. This would, of course, affect QSRs like [Pizza Pizza](#) too, but not as badly as Boston pizza.

And even if restaurants don't go out of business, overall revenue could still be down for quite a while. So the stock could be especially volatile if we see another market crash. That's why I'd avoid Boston Pizza. For now, the reward is certainly not worth the risk.

Be careful with financial stocks

Another group of stocks you'll want to be cautious of are financial stocks. Recessions are always worrisome for investors of financials, but with a highly vulnerable economy and consumer debt loads so high, there is extra risk with some of these stocks.

One stock, in particular, to keep in mind is **goeasy ltd** ([TSX:GSY](#)). The company is one of the best long-term growth stocks on the market, so I wouldn't necessarily advise you to avoid the stock. However, you should be aware that its business model makes it inherently riskier than almost any other financial stock.

goeasy specifically lends money to consumers with sub-prime credit scores. This is a high-risk industry even in good times, which is why the company can earn such high-interest rates and put up incredible growth.

That risk is amplified, though, when the economy is in poor shape. That's why the stock declined by roughly 70% earlier this year during the first market crash.

So far, the CERB and other crucial [CRA benefits](#) from the government have helped keep most of these borrowers afloat. But that may not last forever, so it's definitely a major risk all investors should be watching.

Bottom line

Despite many stocks at or near all-time highs, there is still an enormous amount of risk that markets may crash in 2021. So make sure you know all your investments inside and out, that way you'll be ready for anything.

CATEGORY

1. Coronavirus

2. Investing

TICKERS GLOBAL

1. TSX:BPF.UN (Boston Pizza Royalties Income Fund)
2. TSX:GSY (goeasy Ltd.)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
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