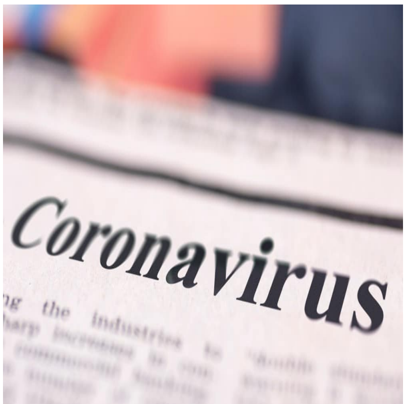

Alert: A New Strain of COVID Could Trigger a Market Crash

Description

The stock market crashed remarkably quickly when the pandemic erupted earlier this year. Fear and panic about the economy shutting down and the loss of countless lives destroyed shareholder value. Since then, the market has recovered on the hopes of a vaccine and swift economic recovery.

However, a new strain of the coronavirus has emerged that could disrupt the recovery, put more lives at risk, and potentially crash the stock market again. If you're an investor, here's what you need to know.

New strain of COVID-19

Experts were always worried about the risk of the novel coronavirus mutating. With over 76 million cases across the world, the virus has had enough of space and time to evolve. This month, a new strain emerged in the U.K.

Kent, a county in southeastern England, noticed a surge of cases. According to microbiologists at the University of Birmingham, this surge was caused by a new strain of the coronavirus that spreads faster. The strain, now called B.1.1.7, is easier to transmit from human to human.

That has triggered some panic this week. Several countries, including Canada, have banned travel from the United Kingdom. London and Kent, meanwhile, are under the strictest lockdown they've ever been in.

Investors must now add this risk to their investment thesis for stocks in 2021.

Potential market crash

I'm not a medical expert and certainly don't know the full implications of this new strain. However, it has compelled me to magnify my risk premium for stocks.

Early indications suggest the new strain isn't more lethal than the original strain of COVID-19. It also seems likely that the vaccine and traditional testing techniques will be just as effective against this strain. However, a faster-spreading virus means more lives could be lost and more parts of the world may have to adopt stricter lockdown measures.

That's bad news for the tangible economy. Leisure, entertainment, tourism, and restaurant stocks could suffer a deeper blow than previously expected. Meanwhile, e-commerce and work-from-home stocks should continue to surge.

Shopify (TSX:SHOP)(NYSE:SHOP), for instance, has seen a surge in sales and traffic since lockdown measures were implemented. With families still confined to their homes, online shopping with Shopify's merchants should break records this Christmas.

Shopify stock is up 190% year to date, driven by unprecedented momentum. It's now the most valuable company on the Toronto Stock Exchange. Experts believe the momentum could be sustained throughout next year. Online shopping habits could be ingrained by the time the crisis is resolved.

If panic about this new strain causes a stock market crash, I would consider adding exposure to Shopify. A dip in the stock could be the perfect opportunity to add some exposure.

Bottom line

A new strain of COVID-19 has emerged in the U.K., which seems to spread faster. This could trigger panic in the stock market and slash stock prices over the next few weeks. If that scenario plays out, investing in lockdown stocks like Shopify could be a good idea.

Stay safe!

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