



Coronavirus Is Mutating: Get Ready for a New Year Stock Market Crash

Description

The new year brings new surprises. The year 2020 brought a nasty surprise in the form of the novel coronavirus that confined people to their homes and proved deadly for many. This coronavirus is mutating. The United Kingdom is facing the wrath of this mutation and is already imposing lockdowns.

Researchers don't know how severe is this mutation, and will it render the COVID-19 vaccine ineffective? This uncertainty will lead to another stock market crash in the new year.

How coronavirus is mutating the stock market

To mutate is to change in form or nature. The novel coronavirus became a pandemic because of its ability to spread from one human to another. The mutant coronavirus has a higher spread rate. The curve is increasing once again, which means the stock market is up for another crash in the new year.

In April, the stock market rallied on the back of free money the government injected into the economy through the fiscal stimulus package. As the Justin Trudeau government [replaced emergency benefits with recovery benefits](#), more Canadians stopped relying on benefits and returned to work.

The mutation of coronavirus will replay the March crash, and this time, the government benefits might not be as generous as last time. Canada has not yet felt the effects of mutation, but it could feel it if it doesn't close its borders. If the mutation renders the COVID-19 vaccine ineffective, the November market rally could reverse. Like the virus, the stock market will also change its form and nature.

The 2021 bear market

The 2021 stock market crash could see all post-pandemic stocks make a new low. Post-pandemic stocks are the ones that were the most impacted by the pandemic, like energy, retail, real-estate, entertainment, and aviation. Last week, investors saw the first impact of the bear market.

Stocks of **RioCan REIT** ([TSX:REI-UN](#)) and **Suncor Energy** ([TSX:SU](#))([NYSE:SU](#)) fell 7.4% and 9.4%,

respectively, last week on the news of rising virus spread. These are the stocks that surged 25% and 59.5% on the vaccine news. These stocks have become more predictable, reported a [loss in the second quarter](#) as the lockdown significantly reduced their revenue. Another wave of lockdown will push them into a loss, once again.

Hence, these two stocks will hit the bottom in another market crash — presenting an opportunity to buy these stocks at heavy discounts. RioCan and Suncor have sufficient cash to withstand the crisis. They have prepared themselves for another wave of the pandemic. Hence, they will recover faster than before.

If you invested \$2,000 each in RioCan and Suncor at their March bottom, you would have earned \$1,100 and \$1,200, respectively. You have another chance at it as the market moves towards another crash.

The 2021 bull market

While the post-pandemic stocks may react the same way they did in the March crash, the pandemic stocks might see a mutation. The March sell-off unleashed the path toward unprecedented growth for tech stocks. Some of the biggest beneficiaries were **Shopify** ([TSX:SHOP](#))([NYSE:SHOP](#)) and **Lightspeed POS**. They surged 224% and 295%, respectively, during the pandemic rally as everyone moved to online shopping.

However, Shopify and Lightspeed stocks fell 22% and 13% between September and early November as the economy reopened and vaccine news revived investor hopes. But later, these stocks surged 33% and 88% from their November correction. If you invested \$2,000 each in Shopify and Lightspeed in November, you would have earned \$660 and \$1,700, respectively.

If you are expecting stocks to repeat their rally, you might be disappointed. They have already recovered from the correction and are trading at their all-time highs. Their high valuations have limited their upside potential.

What should you do in the new year crash?

The second wave of the pandemic will also mutate the stock market crash. The virus stocks that had significant growth potential in the March market crash no longer have that unrealized growth potential in them. The post-pandemic stocks have immense growth potential in the current market crash.

CATEGORY

1. Coronavirus
2. Dividend Stocks
3. Energy Stocks
4. Investing
5. Tech Stocks

TICKERS GLOBAL

1. NYSE:SHOP (Shopify Inc.)

2. NYSE:SU (Suncor Energy Inc.)
3. TSX:REI.UN (RioCan Real Estate Investment Trust)
4. TSX:SHOP (Shopify Inc.)
5. TSX:SU (Suncor Energy Inc.)

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