A Market Crash in 2021 Is Your Chance to Make Millions!

Description

As we inch closer to 2020, many questions that remain unanswered for equity investors. The rollout of multiple vaccines at a record pace has given hope to people all around the world which has driven stock markets to record highs.

However, investors should be aware that economic fundamentals are not in sync with the optimism surrounding equities right now. The market rally has been driven by large-cap tech stocks this year that have been immune to the pandemic and have actually thrived amid lockdowns.

On the flip side companies in the airline, energy, and hospitality sectors have been hurt due to sluggish consumer and enterprise demand. Shares of banking companies plunged in March but have since recovered due to the stimulus packages provided by various governments that have helped to offset rising unemployment rates.

A market crash is likely in 2021

Several countries are in the midst of a recession and it might take at least 12-months for the vaccine rollout to be completed in developed economies. Small and medium businesses could get pummeled in case the new COVID-19 strain results in another round of lockdowns, which might also delay economic recoveries.

The quantitative easing measures and benefits packages provided to millions of residents suggests there is a good chance Canada will increase tax rates in 2021. So how do you invest in a stock market that is expected to be volatile in the near-term?

Every investor deals with a market crash differently. A few believe their portfolio of stocks can easily weather a bear market. Some liquidate their investments and book profits in companies that have surged significantly higher.

However, the investors who benefit from a market crash are the ones that buy stocks trading at a lower valuation during the bear market. While it is impossible to time the equity market, it makes sense to keep aside some dry powder and buy quality companies at attractive prices.

Invest in growth stocks like Lightspeed

This might seem like a risky approach but it is also the most effective one. Growth stocks trade at a premium but remain vulnerable in a broader market sell-off. Alternatively, they have the potential to generate market-thumping returns on a recovery.

For example, **Lightspeed** (TSX:LSPD)(NYSE:LSPD) stock was trading at $45 a share in February and fell to a record low of $10.5. The stock has since surged close to 750% to currently trade at $87.8.

Lightspeed is one of the top growth stocks on the **TSX** with an expanding addressable market and multiple growth drivers. Analysts covering the stock expect sales to grow by 63.7% to US$198 million in fiscal 2021 and by 58% to US$311 million in fiscal 2022.

LSPD stock is trading at a market cap of $9 billion, indicating a lofty forward price to sales multiple of 45.6. Analysts also have a 12-month average target price of $57.26 for Lightspeed, which suggests the stock is due for a correction.

The Foolish takeaway

Lightspeed is just an example of a quality growth stock. Investors need to identify a portfolio of high-growth companies with the potential to beat the broader market over the long term.

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