



What Do Experts Think of a Stock Market Correction in 2021?

Description

We have come a long way from the epic stock market crash in March last year. TSX stocks are up almost 50% since then and are lingering close to all-time highs.

However, every time markets reach new highs, there is a growing fear of a correction. Interestingly, the recent rally has been an incredible one with the pandemic in the background, so it's little wonder investors are all the more anxious this time.

Will markets correct this year amid growing cases in many parts of the world? Let's see what experts have to say.

Stock market correction 2021

The world's biggest money manager, **BlackRock** CEO Larry Fink, is incredibly bullish on the markets. He [thinks](#) that even if stocks are at record highs, several factors could drive them higher. Stimulus packages, earnings growth, and excess cash with consumers will likely play well for the markets in the short term.

JP Morgan's Jamie Dimon sees an economic boom that could run into 2023. In his annual letter to shareholders last week, he forecasted strong growth driven by aggressive stimulus spending, favourable monetary policy, and vaccinations.

The investing conglomerate **Berkshire Hathaway** continues to sit on over US\$145 billion in cash. Some have speculated that Warren Buffett is suspicious about the market recovery or lack of worthy opportunities. However, his view on markets seems to be mixed with his heavy bets on energy and defensive bets on telecom.

Why stocks might continue to soar higher

Stock markets certainly look strong, and a crash like last year seems highly unlikely. Amid economic re-

openings, although partially, corporate earnings growth will be much higher in 2021 compared to 2020. Once people are allowed to spend, the excess cash, which they have saved due to lesser avenues to splurge, will push the economy even higher.

U.S. banks have reported solid earnings growth in Q1 2021. The reverse of loan-loss reserves will most likely be deployed for growth, highlighting the early stage of economic recovery. Canadian banks will also likely follow suit in the next few months.

Although stock markets look overvalued and ripe for a correction, the upbeat corporate earnings growth justifies the premium valuation to a large extent.

Despite the fact that bullish odds seem to outweigh at the moment, challenges remain. Higher inflation could jeopardize the ongoing stock market rally. Notably, slower vaccinations and newer versions of the virus also pose serious risks for stocks.

It makes sense to bet on these rallying markets for the longer term. The pandemic will be history, perhaps in one, three, or five years from now, and stocks will be sitting on record highs. Consider this top TSX stock for the long term.

Today's top TSX stock

Air Canada ([TSX:AC](#)) has alleviated much of the risk with its recent larger-than-expected [bailout package](#). It has clinched a lucrative deal by gaining a \$5.9 billion — two years of liquidity — against giving 5% of equity to the Canadian government.

While Air Canada's challenges are far from over, I think bankruptcy is not a concern anymore. Its top line will likely start recovering in the next few quarters, which could help lower its cash burn.

Its dominant market share and operational efficiency might fuel faster-than-expected recovery post-pandemic. AC stock has soared almost 20% so far in 2021. Notably, improved growth prospects will likely drive AC stock further higher.

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