COVID Resurgence: Is the Worst Coming to the TSX in Q3 2021?

Description

Public health officials believe Canada isn't out of the woods yet. A spike in COVID-19 cases could happen if the borders and schools reopen or the Delta variant spreads in unvaccinated Canadians. The country will inevitably face the fourth wave due to the highly contagious Delta variant.

Investors are concerned, too, because a COVID resurgence could lead to a worse market selloff than in March 2020. According to the country's immunologists, infectious disease specialists, and virologists, Canada could do better than in previous waves.

No crisis point this time

The effectiveness of the vaccines should lower the rate of serious infections. It will help if more Canadians are willing to get their COVID jabs. Despite the growing optimism, the country will not reach a crisis point, cases could still rise.

Matthew Miller, an associate professor of infectious diseases and immunology at McMaster University, said, "We're going to see rises in case counts at some point again." However, Miller is hopeful the bumps are tiny hills, not mountains, like the earlier waves.

The thing to watch for is the population's level of COVID-19 immunity from vaccines or previous infections. It should determine the fourth wave's severity. For Dr. Allison McGeer, a medical microbiologist and infectious diseases specialist at Mount Sinai Hospital, the Delta variant will absolutely spread due to the border reopening.

Income stability

The return to some level of travel and other pandemic restrictions could unsettle the stock market. Risk-averse income investors might need to rebalance their portfolios for capital protection and income stability. If you don't own shares of the **National Bank of Canada** (TSX:NA) yet, consider buying them now.

Canada's sixth-largest bank displays resiliency in the pandemic environment. Current investors enjoy a 33.33% gain so far in 2021. At $94.02 per share, the dividend yield is a respectable 3.02%. After Q2 fiscal 2021 (three months ended April 30, 2021), the $31.73 billion bank had excess capital of $1.1 billion.

During the same quarter, management reported a 111% increase in net income versus Q2 fiscal 2020. For the first half of the fiscal year, the increase compared to the same period last year is 58%. Based on analysts' forecasts, this should be the year the share price tops $100. Furthermore, a dividend boost is possible if the banking regulator lifts the restriction on dividend increases.

No frills investment

If you want a more defensive position, **Emera** (TSX:EMA) is the logical choice. This $14.74 billion diversified energy and services company has a solid history of growing dividends apart from being recession-resistant. Because the company's high-quality utilities are rate-regulated, cash flows and earnings are consistent year in and year out.

Utility stocks are boring and rarely experience wild price swings. Emera, for example, is up by only 9.93% year to date. However, at $58.10 per share, the dividend yield is an attractive 4.39%. The good news for would-be investors is that management plans to increase dividends by 4% to 5% annually through 2022.

Emera should benefit from the energy increase as well as the ever-growing power demand. If you buy the stock today, you can hold it forever and never sell.

Unknown threats

While the COVID situation is manageable, the stock market faces future unknown threats. A more transmissible variant that's worse than Delta could emerge in the months ahead and trigger a market selloff.

CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Investing

TICKERS GLOBAL

1. TSX:EMA (Emera Incorporated)
2. TSX:NA (National Bank of Canada)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Smart News

PP NOTIFY USER

1. arosenberg
2. cliew

Category

1. Bank Stocks
2. Dividend Stocks
3. Investing

Date
2025/07/19
Date Created
2021/07/29
Author
cliew