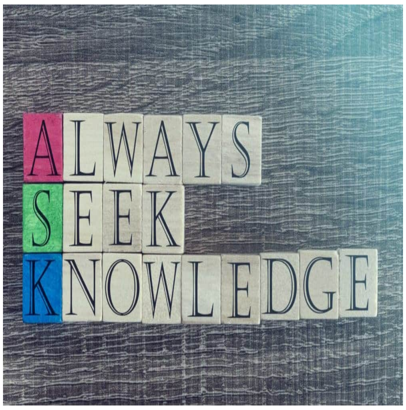

Investing in a Pandemic: 2 Lessons From March 2020

Description

If you thought stocks were volatile last week, remember that a year and a half ago, they were much worse. In March 2020, stocks tanked as COVID-19 began to sweep the globe. The pandemic led to mass retail closures, travel bans, and unemployment. As a result, many businesses became unprofitable. Initially, pretty much all stocks sold off.

Everything from banks to airlines to tech crashed in March, as investors scrambled to make sense of what was going on. Eventually, tech recovered as investors realized that the sector actually profited from the lockdowns rather than being harmed by them. But for a while, it was pandemonium in every sector.

March 2020 was a tough time to be in the markets. As someone who was actively investing at the very bottom of the crash, I can tell you that it was very stressful. But all the investments I made in that period have since paid off handsomely. With that in mind, here are two investing lessons I learned from the March 2020 stock market crash.

Lesson #1: Not all sectors are equally affected

One thing to know about investing in the COVID era is that not all stocks are affected equally. Airlines like **Air Canada** (TSX:AC) lose vast sums of money from travel bans, while e-commerce stocks like **Shopify** (TSX:SHOP)(NYSE:SHOP) actually make money off of retail closures.

When people aren't allowed to fly, then obviously they aren't spending large sums of money on plane tickets. Air Canada's revenue declined 89% in the second quarter of 2020 for this very reason. Much of international travel was totally banned, while travel within Canada was de-incentivized by 14-day quarantines. Eventually, these measures started to be relaxed, but they continued being re-introduced on a local level as provinces and cities battled with outbreaks. Air Canada's stock predictably fell in March 2020 and, unlike certain other stocks, did not recover afterward.

Funnily enough, in this exact period where AC was declining, SHOP was preparing to release one of its best quarterly earnings reports ever. Ahead of its second-quarter release, SHOP suspended its guidance, saying it couldn't predict what was going to happen. Investors got scared and sold the stock.

Eventually, however, it came out that the second quarter was actually a huge beat, and the stock started rallying. The next three quarters were also huge beats, sending SHOP stock to new highs. Today, Shopify is by far the biggest company in Canada.

Lesson #2: Buy the dip

A second investing lesson I learned in March 2020 was the value of buying the dip. On March 23, when the **S&P 500 Composite Index** was at its low for the year, I snapped up shares of **Toronto-Dominion Bank** (TSX:TD)(NYSE:TD) on the dip. At the time, they were being beaten down because the pandemic increased the perceived risk of loans.

The bank had to raise its PCLs, which sent earnings lower. I bought it anyway and locked in a 6% yield. Eventually, the risk factors abated and TD's earnings started to pop. Today, TD stock is at a far higher price than it commanded pre-pandemic.

The lesson?

If you like a stock and it dips, buy it. Temporary headwinds don't change the fundamental conversation on shares.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:SHOP (Shopify Inc.)
2. NYSE:TD (The Toronto-Dominion Bank)
3. TSX:AC (Air Canada)
4. TSX:SHOP (Shopify Inc.)
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