3 Moves Investors Should Make When the Market Plunges

Description

Investing can be a fickle game. One moment investors are celebrating new all-time highs, and hardly a month later all the pundits and talking heads are panicking over a 10% correction, predicting things like a major slowdown for China, recessions for Japan and the Euro Zone, and lower oil prices really taking the wind out of Canada's sails.

Humans have a tendency to overreact to pressing news, especially those who end up on television. But for a long-term investor, this latest weakness shouldn't be a big deal. In fact, you should be cheering the market on, hoping stocks decline even further so you can buy them at a steeper discount. After all, you'd do the same with anything else, whether it be milk or a new car. Why should investing be any different?

Here are three steps investors should take to guide themselves through the bear market.

1. Sell the sexy growth names

As much fun as it is to own stocks like **Facebook**, **Tesla**, or **Twitter**, these stocks will take it on the chin as the rest of the market declines. Investors who get nervous will always dump high growth names first, seeking the safety of sectors like consumer staples and utilities. Last year's market darlings are almost guaranteed to underperform during a bear market.

Investors don't have to get too excited about selling everything. Chances are, you'll have just one or two names in your portfolio that will apply.

One stock that investors should look at to replace them is **Metro Inc.** (TSX: MRU), Canada's third largest grocer. Not only has the stock traditionally done well in weak markets, but it also pays investors a rapidly growing dividend. Sure, the current yield is just 1.6%, but the company has more than doubled its dividend since 2009. Expect the growth to continue, since Metro's payout ratio is a mere 25% of its earnings.

2. Focus on dividends

It can be depressing opening up your statements every month and seeing the value of your portfolio decline. But unless we get a repeat of 2008-09, your dividends should be just fine. Focus on your dividend stream instead; it'll take away the pain of decreasing share prices.

A company like **RioCan Real Estate Investment Trust** (TSX: REI.UN) is a terrific example of this. The company, Canada's largest owner of retail space, hasn't missed a monthly dividend since going public in 1998. That's almost 200 consecutive dividend payments without missing a beat.

RioCan also offers a little dividend growth, averaging an increase of 3% per year. It isn't much, but the company's current 5.4% yield makes up for it.

3. Buy more stocks

Like I mentioned before, investors should be looking to load up on some of their favorite names while the market is on sale. Don't worry about buying too early, just nibble away as you find opportunities.

One stock I'm taking a close look at is **Cenovus Energy Inc.** (TSX: CVE)(NYSE: CVE). The stock is down nearly 20% over the last month alone, as world crude prices decline. But the company has big plans for 2015 and beyond, with two huge oil sands projects coming online at Telephone Lake and Grand Rapids. When fully operational, these projects will add approximately 300,000 boe per day to the company's production. Considering daily production was 180,000 boe in 2013, these projects are a big deal.

Currently, Cenovus' shares are trading at a 52-week low, and at levels not seen since 2009 when it was spun off of **Encana**. Even if oil remains weak in the short-term, Cenovus will still do fine.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:CVE (Cenovus Energy Inc.)
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4. TSX:REI.UN (RioCan Real Estate Investment Trust)

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