



## Is Your Portfolio Ready for a Market Crash?

### Description

Volatility has been picking up lately, and it looks like the Trump rally is starting to slow down.

Almost everybody, including bearish investor Prem Watsa, has been bullish on the markets after Trump's win. The Trump Administration is pro-business, and he's determined to give the American economy a boost through corporate tax cuts, deregulation policies, and incentives to keep jobs in America.

Sure, Trump has the potential to send the markets higher, but what if he can't deliver on the things he's promised? The markets are ridiculously optimistic, and anything short of fantastic news could send the markets tumbling. All of the easy profits have been made, and things could start to get bumpy from here.

It's been a growing trend to dump defensive stocks in favour of cyclical ones. Many pundits are recommending this strategy since the U.S. economy is getting stronger, and as a result, the markets are going to skyrocket. I'm not a fan of this strategy because I'm a contrarian investor. You shouldn't dump your defensive stocks just because it's the trend.

All of a sudden, many investors have turned bullish, and many have been making greedy decisions, like dumping defensive stocks for cyclical ones. I'm sure you're familiar with Warren Buffett's famous quote: "...be fearful when others are greedy, and greedy when others are fearful." I think it's time to start following this piece of advice from the great Oracle.

We're in the late stages of a bull market, so a stock market correction could be on the horizon. The bull market may still have legs, but it's always important to have an insurance policy in case the markets decide to take a major tumble.

Just because the U.S. economy is strengthening doesn't mean you should go all-in on cyclical stocks. This is an incredibly risky strategy that could lead to you losing your shirt once the tides suddenly change.

Unfortunately, many pundits have been recommending this strategy to investors of late. Sure, it might

be time to buy a few more cyclical stocks, but this doesn't mean you should forget about defensive stocks, as they're an essential part of a diversified portfolio. I favour defensive stocks right now, because the excessive bullishness will inevitably fade, and investors will flock back to defensive stocks once everyone becomes fearful again.

I believe there's huge value to be had in the defensive sector right now. Many stocks in that sector have been beaten up simply because of the re-allocation of cash to riskier names. Pick up shares of wonderful defensive businesses such as **Alimentation Couche Tard Inc.** (TSX:ATD.B) and **Loblaw Companies Limited** ([TSX:L](#)) because they're undervalued right now and will be favourable once investors dump their cyclical stocks for defensive ones again.

Don't get caught in the hype of this Trump-fuelled market.

Stay smart. Stay hungry. Stay Foolish.

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