



This Is What it Takes to Beat the Market

Description

What does it take to beat the market? You've got to do something different from the herd. For example, you might be buying during the Financial Crisis, when most of the market is selling.

You've also got to be right about the investments you make. For example, if you made a call to buy a stock, you've got to be able to hold on to it, even if things turn south. Or you need to be able to decide to cut your losses if your investment thesis doesn't play out.

In other words, you need to have the confidence to hold on to your shares during tough times or sell if you realize the stock is not going to turn around.



Doing something different and being right

During the Financial Crisis, the Canadian market (using **iShares S&P/TSX 60 Index Fund** ([TSX:XIU](#)) as a proxy) fell about 50% from peak to trough in about nine months. Many investors scrambled out of the market then.

However, for those who did the opposite and actually bought shares of the index or quality businesses, such as **Toronto-Dominion Bank** ([TSX:TD](#))([NYSE:TD](#)), they would be sitting on some very nice gains

— and in the case of TD Bank, investors would have collected some very nice growing income as well.

“It’s impossible to catch the bottom,” some would say.

In reality, you don’t have to.

If you had picked up some TD Bank shares mid-way through the crisis at a split-adjusted price of \$24 per share, the stock price would still have nearly tripled by now. All the while, the bank increased its dividend per share by about 8% per year.

That said, if you were in the market during the crisis, you’d know it wasn’t easy buying at that time, and it was perhaps even harder to hold on as the shares fell lower.

What can you do differently in today’s market?

Many energy stocks have pulled back meaningfully, which means they’re out of favour. Among the energy stocks, on the safer end of the spectrum are energy infrastructure stocks, which tend to generate largely stable cash flows that support their growing dividends.

Although they have gained some strength in the last three weeks or so, they still have good growth prospects, including **Enbridge Inc.** ([TSX:ENB](#))([NYSE:ENB](#)), **Keyera Corp.** ([TSX:KEY](#)), and **Altagas Ltd.** ([TSX:ALA](#)), which offer yields of about 4.6-7.3%.

Investor takeaway

Next time, when stocks you are watching experience meaningful dips, ask yourself if you believe in the future of the businesses underlying those stocks. If you do, the dips could be great buying opportunities.

CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Energy Stocks
4. Investing

TICKERS GLOBAL

1. NYSE:ENB (Enbridge Inc.)
2. NYSE:TD (The Toronto-Dominion Bank)
3. TSX:ALA (AltaGas Ltd.)
4. TSX:ENB (Enbridge Inc.)
5. TSX:KEY (Keyera Corp.)
6. TSX:TD (The Toronto-Dominion Bank)
7. TSX:XIU (iShares S&P/TSX 60 Index ETF)

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