Should You Buy Stocks With Your 2018 TFSA Contribution or Wait for a Crash?

Description

It's the million-dollar question: With markets hitting all-time highs in Canada and in most places around the globe, is it safe to keep buying stocks at these levels? Or is it better to wait for the much-anticipated market crash?

The next crash is coming. It's inevitable. Nobody knows when it's going to happen, but with the old age of the current bull market, many pessimists are thinking it's going to be soon, but here's why I don't buy these doomsday predictions.

First of all, many doomsdayers have been calling a market crash pretty much every year. At the beginning of 2017, everyone was afraid that the bull market was showing its age, but the **S&P 500** went on to gain ~20%. Talk about being completely wrong! Instead of a Trump crash, which everyone was worried about, a Trump rally happened, and it's still going strong into 2018. What happened to all the doomsdayers?

Consider long-time bear Prem Watsa, who turned bullish over a year ago following Donald Trump's presidential victory. It was a surprising move that caught the general public off guard, but it was a smart move for Watsa to eliminate many of his hedges, otherwise **Fairfax Financial Holdings Inc.** (TSX:FFH) would be in much worse shape today, and the press would have started to compare him to Bill Ackman, a seasoned veteran who just clocked in his third straight year of losses.

So, are all the bears turning into bulls?

Not necessarily. Although we're in the late stages of a bull run, Trump's pro-growth agenda is going to boost the U.S. economy and, in turn, global financial markets in the foreseeable future, and you probably don't want to remain completely on the sidelines! That doesn't mean that you should rule out a mild near-term correction though, so it's a good idea for the average investor to have some skin in the game with ample cash on the sidelines, just in case.

It's never a good idea to time the markets, so instead of trying to predict where the markets are headed, just focus on individual stocks and try and find ones that are on sale. It's been difficult to spot value in the U.S. after such a fantastic 2017, so you may wish to stay within the confines of Canada while you do your bargain hunting.

There are several opportunities in the severely undervalued energy sector, including **Cenovus Energy Inc.** (TSX:CVE)(NYSE:CVE) and **Crescent Point Energy Corp.** (TSX:CPG)(NYSE:CPG) that are trading at significant discounts to their intrinsic value. But if you're still wary of the state of the markets, and you want to play defence, you may wish to load up on Fairfax. Although Watsa has a more bullish tone, the preservation of capital is his number one concern, and Fairfax still has protection from substantial market downside in the event of a violent market-wide pullback.

Bottom line

Timing the market is a bad idea. If you choose to wait for a crash before entering the markets, you could miss out on years of major gains. Conversely, if you go all-in on stocks without a cash position, you'll kick yourself should the markets crash this year.

A great strategy for investors who are just getting started is to be in stocks, but just make sure you've got enough cash to capitalize on sales that come after a crash.

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