



What Can Investors Learn From the TSX's Recent Slide?

Description

We're not headed for a recession or a crash just yet, but the recent slide should offer a dark reminder about the dangers of investing. Paper gains can turn into paper losses very quickly, and investments built off hype can quickly evaporate. However, the recent slide presents a good opportunity for investors to be reminded of some important points when it comes to investing.

Speculation can accelerate both gains and losses

Speculative buys are riskier than those based on fundamentals, and investors need to look no further than what has happened to pot stocks and cryptocurrencies lately.

Bitcoin was up [more than 1,700%](#) last year and looked unstoppable as it approached US\$20,000. Many people were expecting the ascent to continue to climb and climb. Except then it didn't, and the drop happened after words like *crackdown* and *restrictions* related to cryptocurrency trading started to worry prospective buyers that Bitcoin might run into issues down the road.

As of Wednesday, the cryptocurrency had fallen to just US\$8,000, and investors that bought at the peak have lost more than half of their holdings. **Hive Blockchain Technologies Ltd.** ([TSXV:HIVE](#)), which was rallying on the Bitcoin frenzy, has also seen a steep sell-off the past three months with its share price dropping more than 50%.

Sticking to fundamentals is key to ensuring you don't lose your shirt

One way to protect yourself against bear markets and minimizing your exposure to market-related risk is to look at [low-beta stocks](#) and companies that have good fundamentals.

A stock like **Bank of Montreal** ([TSX:BMO](#))([NYSE:BMO](#)) might not offer you sky-high returns, but it also won't leave you exposed to big corrections either. In the past month, the share price has seen a modest decline of just 4%. With the stock trading at just 12 times earnings and 1.4 times its book value, a further decline will just make it that much more of a bargain for investors.

After all, BMO is one of the Big Five banks in Canada, and it is as stable a stock as you can find on the

TSX. With interest rates on the rise, the bank will see more opportunities to maximize its spread, which will only further maximize its top line. A dividend of nearly 4% also makes it a great buy to hold over many years.

Telus Corporation ([TSX:T](#))([NYSE:TU](#)) is another big player on the TSX that has a strong future that trades at a little more than 21 times its earnings. Like BMO, Telus saw its stock drop just 4% in value, while other, more volatile stocks saw much larger sell-offs take place.

If you don't buy into the hype, you won't buy at the peak

It's hard to sometimes not get caught up in the hype when investments are soaring. Whether it's pot stocks or cryptocurrencies, some investors feel worried that the opportunity may be getting away, and that it's better to buy now than to be sorry later.

It's hard to know when you've reached the peak, but if you buy because the stock is a good value and not because it is accelerating at a rapid pace, you're less likely to find yourself buying at the peak.

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Date

2025/08/29

Date Created

2018/02/08

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