Markets Plunge Again: Tremendous Value Exists on the TSX Today

Description

The Dow Jones Industrial Average took another quadruple-digit-point plunge on Thursday just a few days after the largest point drop in its history. Yes, Monday was the largest point drop in the history of the Dow Jones Industrial Average, and yes, it fell by a hellish 666 points on the Spooky Friday before that, but let's put really put it into perspective.

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There's a tonne of potential for incredible headlines; however, many of them are honestly over the top and may be horrifying for the average investor and exacerbating the sell-off. Although the point decline was the largest in history, the percentage decline wasn't quite as historic. That's what investors should really be paying attention to. So, really, when it comes to single-day declines, they're not as remarkable as many headlines make them out to be.

Many U.S. indices are down over 10% from all-time highs and are now officially in correction territory. Another 10% drop, and we'll be in bear-market mode, which, if brought up just a few weeks ago, would have been laughed at by everybody on Wall Street. Everybody was bullish, including Ray Dalio, who stated that investors would "feel stupid" if they hoarded cash and didn't jump on to the stock bandwagon along with the U.S. market melt-up.

Yes, there's blood on Wall Street right now, but if you think the U.S. markets look disgusting, just have a look at the **S&P/TSX Composite Index** (TSX:^GSPTSE), which plunged over 8.2% from its all-time high and didn't even participate in the parabolic upward surge like the U.S. markets did!

That's a gut punch to the individual Canadian investor, but it's tough times like these when real wealth is created. I personally think there's more pain ahead; however, I believe Canadian markets will end up in the green by the conclusion of 2018. And the TSX may outperform the S&P 500 for the first time in a while, as investors move out of speculative growth and into beaten-up value stocks.

You should be buying stocks that are on your shopping list now, but I still wouldn't advise doing all your shopping in a single day or even a week. This correction has the potential to span many weeks, and odds are that you're going to see even better prices in two weeks from now. I think there could be another 5-10% of downside from these levels, so you'd better be sure you don't use up your cash reserves once the prices get slashed further.

Panicking is not an investment strategy. I hate to sound glib, but stick with your longer-term investment goals, and you'll look back at this correction as nothing more than an opportunity to do some buying. Pull the trigger on stocks of steady firms that have been unfairly punished, because right now, we're in a stock pickers market. Volatile times are ahead, so if you can spot the real bargains, you'll get very rich when this painful experience is finally over with.

I'd recommend adding Canadian financial stocks such as **Manulife Financial Corporation** (TSX:MFC)(NYSE:MFC) and **Canadian Imperial Bank of Commerce** (TSX:CM)(NYSE:CM) to your shopping list today if you're planning on buying, but you're not sure what you should be considering at these times while there's a tonne of noise in the financial media pointing you in differing directions.

Stay hungry. Stay Foolish.

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