



Remember, Long-Term Investors: Short-Term Volatility Is a Good Thing

Description

The incredible volatility of the five-day stock chart of the **S&P/TSX Composite Index** is something investors have not seen or experienced in quite some time. While many may be overwhelmed by this volatility (with much of the volatility on the downside), as with most things in life, the key is not to panic. Stocks have been overvalued for some time, and a sell-off is more than warranted at this point. Corrections during bull markets happen frequently, and even if this bear market turns into a bull market (we have quite a ways to go), investors will be granted buying opportunities — the likes of which haven't been seen in years.

As any long-term investor knows, buying and holding on to securities involves a roller-coaster ride, which, by definition, involves some bumps along the way. Having enough cash parked on the sidelines to take advantage of deals as they arise is key in this current environment. With the current bull market the second longest in history (soon to be the longest), it is reasonable to assume that this recent correction could turn into a bear market in short order. If this happens, having dry powder to be able to make investments at lower prices and lower one's cost base will be key to growing wealth long term.

One of the greatest assets an investor with a time horizon of more than a decade can have is patience. Companies that provide solid long-term growth prospects, a dividend yield, and continue to distribute more value to shareholders on a year-over-year basis are companies investors should consider today.

One such stock that has become very attractive at current levels for long-term investors looking for value are **Algonquin Power & Utilities Corp.** ([TSX:AQN](#))([NYSE:AQN](#)). Since the beginning of 2017, shares of Algonquin Power have increased more than 15%, although in recent months investors have sold Algonquin for a variety of reasons. The company's share price is currently down more than 10% from its 51-week high, marking what could be considered a correction for this excellent Canadian utilities firm.

Among the most pertinent reasons for the decline is a rising interest rate environment — as most investors know, sectors such as utilities and REITs tend to underperform in higher interest rate environments and when the Canadian dollar strengthens. Because Algonquin Power is a utilities company (and by default a bond proxy), has the dual listing in the U.S., and its earnings and dividends

are declared (paid) in U.S. dollars, shares of AQN are going out of favour for many investors.

Buy stocks that are out of favour and buy more as prices drop. That's what the best long-term investors do.

Stay Foolish, my friends.

CATEGORY

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2. Energy Stocks
3. Investing

TICKERS GLOBAL

1. NYSE:AQN (Algonquin Power & Utilities Corp.)
2. TSX:AQN (Algonquin Power & Utilities Corp.)

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