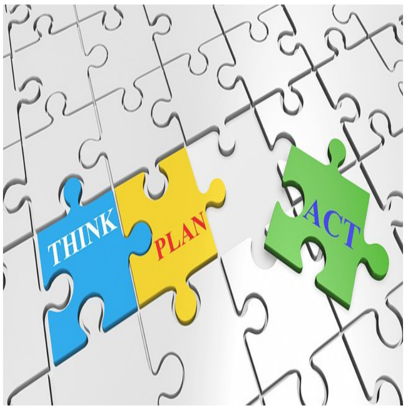

4 Things to Remember in Turbulent Times

Description

In the summer of 2008, I had just gone back to work after my maternity leave. That summer was the start of a very rough period for investors, and by February 2009, the TSX had fallen 45% from its peak in June 2008.

But I, like many, learned some valuable lessons then that have helped make me a better investor and that will help now, when the markets are again becoming increasingly fearful, shaky, and uncertain.

Stay away from highly indebted companies

It is obvious that companies with a big debt burden run the risk of not making it through hard economic times, yet how many times have we ignored this in the hopes of seeing big returns?

Because, after all, the stocks of these companies are often trading at a discount, so it doesn't take much to imagine the fantastic return one can make if the company managed to remain solvent.

But the risk may not worth it, because these stocks can go down very hard and leave investors sleep deprived and regretful, with a hole in their wallets.

Stick with stable businesses with strong cash flows

This usually means bigger companies with a dependable dividend — companies whose financial results have been dependable and stable, and that have the balance sheets to weather the storm of difficult times.

Canadian National Railway (TSX:CNR)(NYSE:CNI) is an example of this type of company. The business is relatively stable, somewhat diversified, and it has consistently paid a dividend.

The company is firmly in place as one of the premier railroad operators in North America and continues to reap the rewards.

In the summer of 2008 to February 2009, the stock declined approximately 15% compared to the 45%

decline that the TSX experienced. And from that point, the stock just went full steam ahead, up to heights of over $95 today from the lows of less than $20.

Be patient. Valuation is important

In turbulent times, the market is not generally supportive of highly valued stocks. Investors are feeling more cautious, and lofty valuations make them nervous.

The three-month return of the TSX is -5.35%. **Canopy Growth Corp.** (TSX:WEED) has a three-month return of -18.1%.

It is clear that Canopy is in a very promising and lucrative business, but valuation is definitely one problem with the stock, which is trading at 73 times price to sales.

Think long term

If a company has a strong balance sheet and a business that will be viable in the long run, use times of market weakness as buying opportunities. As Warren Buffett says, "…be greedy when others are fearful."

This is the time to put this bit of investing advice into practice.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:CNI (Canadian National Railway Company)
2. TSX:CNR (Canadian National Railway Company)
3. TSX:WEED (Canopy Growth)

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Date
2025/08/16
Date Created
2018/02/19
Author
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