



## Should You Buy Stocks Today or Wait for the Correction to Worsen?

### Description

February has been a ridiculously wild ride for the markets. Last week, investors were in panic mode as the **S&P/TSX Composite Index** and **Dow Jones Industrial Average** suffered the sharpest decline in recent memory. If you panic sold when the U.S. markets officially entered correction territory (10% peak-to-trough drop), you would have locked in your losses and missed out on a sharp ~6% relief rally.

I'd urged investors to do a bit of [buying on the dip](#), but to keep ample cash on the sidelines should the markets fall into bear territory. While it may seem that a bottom has been reached, it's important not to get too greedy too fast. There's no way of telling whether we're really out of the woods yet; even though the markets have begun to move back in the green, all it takes is a single drop for the sentiment to take another 360-degree turn.

Don't even try to time the markets. It doesn't work. Even gurus like [Ray Dalio](#) have experienced trouble calling where the markets are headed in the short term. Do yourself a favour and stop wasting your efforts on trying to predict where the markets are heading next. Whether you're planning on going all-in on stocks or hoarding excessive amounts of cash for the next big fall, if you're timing the markets, you've got a 50/50 chance of "feeling stupid" should the markets not head in the right direction.

If you've got ample cash, and you're itching to put it to work, then don't let the short-term market movements influence your investment decisions. When you're ready to invest, you should get going as soon as you can and not wait for some market event that's completely out of your control. You should always hold cash to do some buying on dips or corrections, but hoarding too much cash, I believe, is just as risky as having nearly all your capital invested in the markets.

### The dangers of hoarding cash with the intention of waiting for the next crash

By hoarding cash and waiting on the sidelines for the next big stock market crash, you may be thinking you stand to lose nothing, but in reality, you stand to miss out on years of potential gains, which may have exceeded what you'd normally stand to lose in the event of a market meltdown.

For example, if you decided to use this "wait-for-a-crash-before-investing" strategy in the early 1990s, you would have waited a very long time. And you would have missed out on ~350% worth of **S&P 500**

gains in just over a decade, less than half of which would have been surrendered if you'd maintained a diversified portfolio through the tech bubble burst.

### A better long-term strategy to use instead

If you've got cash that you don't plan on using for the next +10 years, then get exposure to the markets ASAP or you'll miss out on years of potential gains, and your buying power will be diminished by inflation if you leave your cash sitting in a low-interest savings account.

If you're sitting on the sidelines waiting for an opportune time, you're surrendering your number-one advantage: time. Time is money, so if you're a young investor, you can afford the mistakes, corrections, crashes and meltdowns.

Don't be fully invested, especially if you're over 50. You should always have a minimum of 20% of your wealth in cash, so you can increase your buying activity in depressed markets when stocks are cheaper.

Once the next market crash finally comes around, seize the opportunity and buy extremely high-quality, low-beta, dividend stocks to absorb the impact from a rocky market. Think high-yield securities like **Shaw Communications Inc.** ([TSX:SJR.B](#))([NYSE:SJR](#)) and **SmartCentres Real Estate Investment Trust** ([TSX:SRU.UN](#)). Given the defensive nature of these securities, you'll likely still be able to collect your dividends through thick and thin without having to worry about where the market's going in the short or medium term.

Stay hungry. Stay Foolish.

### CATEGORY

1. Dividend Stocks
2. Investing
3. Stocks for Beginners

### POST TAG

1. Editor's Choice

### TICKERS GLOBAL

1. NYSE:SJR (Shaw Communications Inc.)
2. TSX:SJR.B (Shaw Communications)
3. TSX:SRU.UN (SmartCentres Real Estate Investment Trust)

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joefrenette

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