



Are We Due for a Big Correction in the Markets?

Description

The recent slides in both the [TSX](#) and NYSE should serve as a caution to investors that the bear market is never far away. Many analysts have warned that valuations are too high, and Warren Buffett has said that he is having a [hard time finding well-priced acquisitions](#) as well.

Recently, **JPMorgan Chase & Co.'s** ([NYSE:JPM](#)) co-president Daniel Pinto commented on current valuations in the market, stating that “The equity market has some way to go for the next year to two” and that the markets could be due for a big fall. He went on to say, “If there is a correction, it could be a deep correction. It could be between 20 and 40 percent depending on the valuations at the time. The most important thing for someone like us is just to be prepared.”

Speculation and hype has driven many stock prices

While Pinto was commenting on the U.S. markets, the TSX is not any better shape. One only has to look as far as pot stocks to see how valuations have gotten out of control, with some cannabis companies trading at more than 100 times their sales.

Bitcoin is another example where excitement rather than logic has dictated price. The problem is that hype and excitement can quickly turn into fear and panic, and it's not surprising that we've seen the cryptocurrency falter this year amid threats of crackdowns and more regulations on the way.

Being prepared is key

Despite all the doom and gloom of the markets being overdue for a crash, no one has a crystal ball into what the future will hold, and there is no guarantee when a correction might happen. The problem is that when it will happen, it will be without warning, and that's why preparation is key.

How can investors prepare for a bear market?

The best way to protect yourself from a big correction is by holding a portfolio that is based on strong fundamentals and by investing in companies that have sound business models and solid growth potential. When you invest, you own a piece of a company, and for that reason, it's important to know

the business inside and out and what makes it a good buy.

If it's a good buy at its current value, it'll be an even better buy if the price drops. Some of the best deals happen when a stock's price is distressed and trading at a bargain, and it should come as no surprise that Warren Buffett invested in **Home Capital Group Inc.** ([TSX:HCG](#)) amid all of its turmoil last year.

In addition to fundamentals, investors should also look for stocks that will perform well, even in bad economic times. A company that has a good stream of recurring revenue will also be able to generate a lot of stability in its financials and can prove to be a good long-term investment.

The biggest challenge for investors is not getting caught up in the hype or paranoia of the markets. After all, following the market will only ensure that you never beat it.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:JPM (J.p. Morgan Structured Products B.v.)
2. TSX:HCG (Home Capital Group)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

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Author

djagielski

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