



3 Powerful Ways to Protect Your Portfolio in a Down Market

Description

The Canadian stock market, using **iShares S&P/TSX 60 Index Fund** as a proxy, has doubled from the 2009 low. However, you'll notice that there are areas in the market that did not participate in the rally. In fact, we see quite prominently that the precious metals space has greatly underperformed.

There's no helping it. As the market roars on, investors don't see the point in holding precious metals, which are often seen as a safe haven. A strong U.S. dollar has also put pressure on gold and silver prices.

As a result, precious metals miners, including **Barrick Gold** ([TSX:ABX](#))(NYSE:ABX) and **Goldcorp** (TSX:G)(NYSE:GG), have been in the dumps for multiple years. Notably, precious metals streamer **Wheaton Precious Metals** ([TSX:WPM](#))(NYSE:WPM) has held up considerably better.



However, there will be a time when investors will flock to these precious metals stocks. If we observe the period of 2008-2009, the last market crash, you'll notice that these three stocks did not move in lockstep with the market as most other stocks did.

In the last recession, when the market hit a low in February 2009, Barrick Gold had already partly recovered from a low that occurred earlier — as did Goldcorp and Wheaton Precious Metals.

So, it's not a bad idea to consider some precious metals stocks at their multi-year lows, especially

since they have had some recent weakness. Alternatively, if investors wish to go another route, they can consider some gold and silver bullion or coins instead.

Hold cash

An asset that is often overlooked is cash. Active investors probably hate holding cash, because interest rates are still at historical lows. So, cash earns very little returns on low interest.

However, in a down market, cash is gold. While your stock portfolio might decline by +20%, your cash would be an oasis in the desert and could be used to purchase stocks on the cheap.

Invest in defensive dividend stocks

Investing in defensive dividend stocks, such as **Fortis**, is both a defensive and offensive way to [protect your portfolio](#). These dividend stocks are defensive in that they tend to fall less in a downturn. Furthermore, they offer generous dividend income that adds to your cash pile.

They're offensive in that if the market continues to rise, they'll also give you some growth and perhaps increasing dividend income, which means more cash for your cash pile.

Investor takeaway

Precious metals stocks have a low correlation to the market. So, they're a nice hedge for your portfolio. Cash and dividends from dividend stocks grant you buying power in a downturn when there are many more [bargains on the stock market](#).

Altogether, it'd be a good idea to have some exposure (perhaps 5% of your portfolio) to precious metals stocks, and the recent weakness offers great buying opportunities in Barrick Gold, Goldcorp, and Wheaton Precious Metals.

CATEGORY

1. Dividend Stocks
2. Investing
3. Metals and Mining Stocks

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1. Editor's Choice

TICKERS GLOBAL

1. NYSE:B (Barrick Mining)
2. NYSE:WPM (Wheaton Precious Metals Corp.)
3. TSX:ABX (Barrick Mining)
4. TSX:WPM (Wheaton Precious Metals Corp.)

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