



What it Feels Like to Be in a Market Crash

Description

With the U.S. and Canadian stock markets trading at near their all-time highs, investors may be complacent and have forgotten what it feels like to be in a market crash or a down market.

When things go awry, the market can slide real fast. Let's experience the last crash again to mentally prepare us for the next one.



Image source: Getty Images.

The last market crash

In the last market crash, the Canadian market, represented by **iShares S&P/TSX 60 Index Fund**, fell from a peak of about \$22.50 per share to a trough of about \$12 per share. So, the market essentially lost half of its value in about eight months between June 2008 and February 2009.

Even the safest stocks and leaders in their respective spaces, such as banking leader **Royal Bank** ([TSX:RY](#))([NYSE:RY](#)) and utility leader **Fortis** ([TSX:FTS](#))([NYSE:FTS](#)), could not get away from the tidal wave. Half of Royal Bank's market cap evaporated, and 20% of Fortis's value was gone.

To be fair, though, the last market crash was triggered by a financial crisis. So, it was rational that banks were hit hard. Royal Bank's diluted earnings per share (EPS), based on GAAP earnings, fell about 38% between fiscal 2007 and 2009, but its adjusted EPS remained stable and actually increased

about 4.3% in the period.

Energy stock leader **Suncor Energy** ([TSX:SU](#))([NYSE:SU](#)) fell about 66% from peak to trough. The stock was pushed to a pretty sharp peak before the crash. Similar action was seen at large-cap oil and gas producer, **Canadian Natural Resources** ([TSX:CNQ](#))([NYSE:CNQ](#)), which fell about 63% from peak to trough.

Prepare yourself for the next market crash

The stocks discussed above are strong, large-cap companies that are present in many investor portfolios and funds. They lost at least 20% of their value in the last market crash.

Inevitably, the next market crash will descend upon us sooner or later. It would be to the benefit of investors to slash off 20-50% of their stock portfolio value to see what the number is and prepare themselves mentally.

In the occurrence of a market crash, do not panic. Know that if you hold [quality businesses](#) the lost value will be temporary, even if you have positions that are in the red.

Investor takeaway

When a market crash occurs, we could see our stock portfolio value reduced by 20-50%. That is not the time to panic. When the market really falls 20-50%, it'll be the time to shop for bargains. Make sure you have cash to add to your [best stocks](#) in those times.

CATEGORY

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2. Dividend Stocks
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2. NYSE:FTS (Fortis Inc.)
3. NYSE:RY (Royal Bank of Canada)
4. NYSE:SU (Suncor Energy Inc.)
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6. TSX:FTS (Fortis Inc.)
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Author

kayng

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