



## How to Protect Yourself During a Market Panic

### Description

It's official: we're in a bear market. This comes from **Morgan Stanley's** Michael Wilson, who said in a report that bad things are coming for both stocks and the economy. Although Wilson pointed out that we're not in a recession, he did speak of coming economic "bad news." Regardless, for those who are long stocks, the bad news is already here, as both U.S. and Canadian equities have been getting hammered in the past week.

Although the **S&P/TSX Composite Index** has not been hit as hard as its American counterparts, it's been [having a rough time](#). As of Tuesday, it had lost 1.8% of its value in November after losing about 7.5% in October.

All of this may seem ominous. However, there's no need to panic. With the right investing strategy, you can protect yourself from the worst effects of down markets—and I don't mean by putting all your money in cash. We can start with a refresher on some timeless market psychology.

### Don't follow the crowd

Warren Buffett once said "be fearful when others are greedy, be greedy when others are fearful." In practical terms, this means buying when others are selling and selling when others are buying. It also means *not* rushing to get into equities when things are going well: September of this year proved to be a terrible time to get into cannabis stocks, for example.

In general, down markets are buying opportunities, especially if corporate earnings are growing during the slide. In these situations, dividend stocks in particular can be great investments, as the falling price means a bigger yield. However, there's always the question of how low the market will go.

With the average bear market lasting one and a half years, things could get a lot worse than this. At the same time, buying at several points on the way down a slide can prove profitable—assuming the stocks you're buying are good ones.

### Invest like a contrarian

One approach that's especially profitable in bear markets is contrarian investing. **Fortis Inc** ([TSX:FTS](#))([NYSE:FTS](#)), for example, is hardly a fashionable stock, but it was [riding high](#) through October and November when the TSX was getting crushed. Fortis does well in down markets because it's a utility with a quasi-monopolistic business in many of its service areas, so its earnings aren't affected too much by broader economic turmoil.

If you want to invest in down markets, it's best to find contrarian stocks like this that may not be super popular, but are dependable.

### **Don't hold cash**

Finally, I would advise you not to go "all cash" in down markets. Even if you don't have the stomach for stocks, you can find things that will get you much better income than a bank deposit. Bonds, GICs, and physical assets are all great places to put money while you wait for that bottom to come. Even paying a little extra on your mortgage would be a great idea.

### **CATEGORY**

1. Investing

### **TICKERS GLOBAL**

1. NYSE:FTS (Fortis Inc.)
2. TSX:FTS (Fortis Inc.)

### **PARTNER-FEEDS**

1. Msn
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