Your 1st Bear Market? Accept This Game Plan and Gift Basket of Low-Volatility Stocks

Description

The bull market died on Christmas Eve, and for many investors, it's our first time venturing into the bear-infested woods, some of us without the proper bear repellent. It came as a surprise to many that we managed to reach an "official" bear market before the conclusion of 2018, and while it seems insane to buy stocks at this juncture, Foolish investors should be licking their chops as they nibble away at the bargains that are now undeniably abundant on the TSX.

In a prior piece, I'd highlighted how it's possible to be *too greedy* while others are fearful. If you'd bought stocks last week after a 15% peak-to-trough market drop, you lost another 5%, on average, just a few trading sessions later. If you used all your cash reserves, your options are limited to observe or sell — not ideal for those who want to get the most out of what could be a generational opportunity.

You see, algorithm-driven sells are severely exacerbating the negative momentum and the fears of investors. This has many bruised investors perplexed at the steep declines that seem to be happening by default, with no meaningful news being released.

While select stocks have become cheap, they're clearly not cheap enough to entice the average investor on Bay Street, and if you have no desire to "time the bottom," you should continue dollar-cost averaging on every incremental period, so you can average down and not become one of the victims to non-human traders.

If you've got the cash and an investment horizon of at least 10 years, you couldn't ask for a better environment to be a stock picker.

Tune out the negative headlines and focus on what you're going to nibble and when. If you're overwhelmed by the abundance of bargains on the TSX index, look to **BMO Low Volatility CAD Equity ETF** (TSX:ZLB), a 2.9% yielding basket of low-beta stocks that'll fall to a lesser magnitude than the broader markets, and get your year-ahead game plan in place as soon as you're able.

You won't find overvalued tech stocks in the ZLB; what you will get are dividend-paying, free-cash-flowgenerative businesses that are less sensitive to the economic cycle than the average constituent of an index fund.

The ZLB isn't a bomb shelter, as you'll still suffer 50-80% of the fall magnitude that the S&P 500 will experience, but what you will get are smart money managers in the background that'll re-balance with an emphasis on downside protection and value.

There's no shame in nibbling away at an ETF, and as the markets continue to falter, you'll want to keep adding shares to your TFSA. Treat the ZLB as water and your TFSA as the plant that needs to be grown. Keep watering your TFSA frequently, and it'll eventually grow again.

Stay hungry. Stay Foolish.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:ZLB (Bmo Low Volatility Canadian Equity ETF)

PARTNER-FEEDS

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

Category

1. Investing

Date
2025/07/04
Date Created
2018/12/27
Author
joefrenette