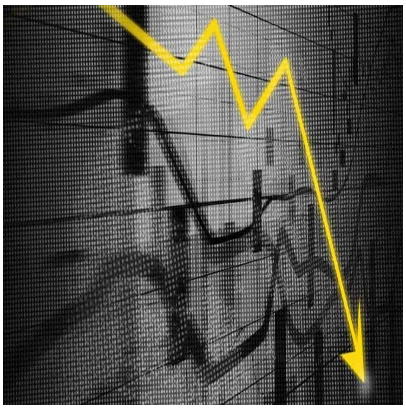

The Perfect Stock to Buy as the Market Crashes

Description

Which stocks should you buy as the TSX tumbles?

That's the million-dollar question, and fortunately for those who dare to buy on such market weakness, you don't need to be picky with stocks like you would if we were in a roaring bull market that's soaring to new highs. All it takes is a "steady Eddie" dividend stock like **Royal Bank** (TSX:RY)(NYSE:RY), and you could be ready to fly higher when it's finally time. As long as you buy and don't bail at this critical time, you'll do very well over the long term.

Now, Royal Bank may seem like an arbitrary example of something to buy as the market plunges, and it is … sort of.

To many, Royal Bank is seen as a gold standard Dividend Aristocrat. It's the largest stock on the TSX and represents a major holding in most institutionally managed portfolios. The stock got punished severely in 2008, but it came roaring back shortly after hitting the bottom, and if you were fortunate enough to nibble away at the stock on the way down, you locked-in a massive dividend yield, and it's probably a major source of riches for you to this day.

In 10 years, this market crash, if it is one, will be looked back similarly as the one in 2008. It was an opportunity if only one had bought on the dip.

At the time of writing, Royal Bank sports a 4.2% yield, and while it could certainly swell further in the coming months, we could be within a few percentage points of a bottom. We really don't know, so to make sure you don't miss the boat on what could be a generational opportunity. It's a good idea to start nibbling away at proven stocks now and on the way down.

If you're to look at the chart of a blue-chip name like Royal Bank, the chart doesn't do the stock any justice. From a total return perspective (with dividends factored into the equation), Royal Bank made a lot of "reckless" contrarians very rich as they bought the dip in a name that was under tremendous macro pressure in 2008-09.

Just have a look at the chart above. It has to be encouraging if you are, in fact, a long-term investor. All it took was a year and a few months, and Royal Bank was back at its highs after what was a horrific recession for the record books.

Furthermore, the dividend yield swelled past the 7% mark, over double where it usually is. As a buyer of the blue-chip stud, you're not only getting the potential for quick capital gains, but you're also scoring a higher-than-average yield based on your invested principal. And as an income investor, that's nothing short of a gift that'll come with a bit of volatility over the near term!

Foolish takeaway

Have a preference for blue-chip names (Royal Bank is a prime example) that aren't under financial stress, as there's already enough to worry about with the tremendous negative momentum experienced in the broader market.

Just bite your lip and be ready to nab those bargains! You'll thank yourself at a later date, as you follow in the footsteps of the greats, rather than get lost in a herd that's heading off a cliff, leading to "real" losses. Market crashes are a time to lock in a doubled dividend yields, not physical losses!

Stay hungry. Stay Foolish.

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