Volatility is Coming: Is Your TFSA Ready for the Next Leg of the Trade War?

Description

Volatility is back with a vengeance thanks to tariff threats uttered by President Trump. While your portfolio may have taken a big hit as the **S&P 500** failed to break through its resistance level, now is *not* the time to panic.

The first quarter of 2019 was so generous to investors that "Selling in May and going away" was starting to look like a pretty smart move this time around, but we Fools know that timing the market is a lower-case "f" fool's game.

When it comes to your TFSA, you shouldn't even consider "selling everything" if you desire to leverage the power of tax-free compounding to its fullest. Taking some profits off the table at frothy multiples is always a good idea, but "selling everything" isn't a reasonable investment strategy unless you've got a crystal ball handy.

As a young investor, I'd argue that it's far riskier to hoard cash for prolonged periods rather than using it to invest in something as simple as an index fund. By sitting on the sidelines, you'll be surrendering the greatest advantage in the world of investing — time. As time goes by, "riskless" fixed-income securities become riskier and "risky" assets like stocks become less risky, even with the market corrections thrown into the mix.

If you're a young investor, the best thing you can do is shelter yourself from volatility if the disgusting market moves are keeping you up at night. Trim your frothy overweight positions in growth stocks with too much reliance on the Chinese market, either for current sales or for forward-looking growth.

Consider **Canada Goose Holdings** (TSX:GOOS)(NYSE:GOOS), a market darling whose growth story has been all about the expansion into the red-hot Chinese market. Once Canada suddenly found itself in the middle of the U.S.-China trade spat following the arrest of a Huawei executive that was condemned by the Chinese government, Canada Goose stock has struggled to soar to new heights despite the Goose's magnificent performance at the company-specific level.

China's "anti-Canadian" mentality and a potential boycott of Canada Goose has left shareholders scratching their heads, and while it seemed that the Goose would be shot down by consumers in

Beijing, the geopolitical issues haven't stopped Chinese consumers from flocking to the opening of the Goose's flagship brick-and-mortar store late last year.

To add even more salt in the wounds of the Goose, hiked tariffs on Chinese goods imported to the U.S. could severely curb Chinese consumer's appetite for luxury parkas as China's economy looks to take another backward step.

In any case, Canada Goose is an expensive stock that could have a lot more to lose should Trump's trade war kick it up a notch with higher tariffs. Canada Goose crumbled nearly 6% in the two trading sessions that followed Trump's initial tariff threats, and unless you believe that a deal can be made soon, it's looking like both the Chinese economy and Canada Goose are going to be in for a world of pain.

As such, investors who've profited from Canada Goose over the past year or so may want to do a bit of trimming to ease the pain. While Canada Goose is still an excellent company that's in the early innings of a growth story for the ages, the risk of double-digit percentage downside, I believe, is way too high at this juncture.

Do a bit of trimming, keep the powder dry in your TFSA, and be ready for bargains as they come along.

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