Volatilty Is Back: Here's How to Stay Calm

Description

Trump's trade war and escalating tariffs are starting to look like a sure thing. At least, that what the market is telling us. Many investors have just started getting over the shellshock that hit them last fall, so the new moves to the downside are definitely awakening some of the old fears that were just starting to fade until a week ago.

The truth is, however, that much of the volatility comes from the fragility that is already present in the market. Leverage is high, thanks to years of low interest rates. Stocks are at all-time highs for pretty much the same reason. This bull run is still old, and people are expecting it to give out at any moment. All these factors have left investors jumpy, waiting to get out at the first sign of trouble.

The good news is that you don't have to panic and sell everything, as you might have been tempted to do in the past. There are a few stocks and ETFs that you can hold through thick and thin. If you look at the long-term charts of these companies and products, you will see that the current market route is just a blip that will barely make a mark on their long-term performance.

Fortis (TSX:FTS)(NYSE:FTS)

Even though this stock isn't exactly cheap, Fortis is the perfect example of the sleep-easy-at-night stock. For decades, Fortis's diversified portfolio of power-generation assets has delivered through thick and thin, with its stock price being almost bond-like in nature. This doesn't mean that the shares have completely avoided volatility. Last fall, rising rates impacted the share price significantly, driving the price down almost 20%. But the shares have once again risen nicely, gaining all that loss back and then some.

If you don't own any of its shares, you should add Fortis to your portfolio today. Although its dividend is somewhat paltry at 3.6% as compared to other utility companies, this is probably one of the most dependable dividends on the TSX. Fortis continued its 45-year streak of dividend increases with a 5.9% increase last fall.

Low-volatility ETFs

As the name implies, **BMO Low Volatility Canadian Equity ETF** (TSX:ZLB) is crafted to create a portfolio of stocks that seeks to give investors a less bumpy ride. These companies primarily consist of utilities (Fortis is one holding), telecoms, grocery stores, and other names that have traditionally given investors stability in their holdings.

With a dividend yield of 2.44% at the current unit price, ZLB will not generate a lot of cash for an income investor. But that payout grows along with the dividends of the companies within the portfolio, so income should increase over time. This is an ETF for people seeking to conserve capital as they grow wealth in a less volatile manner.

Volatility can kill your portfolio

Volatility can be a portfolio killer, but not for the reasons you think. Volatility can make investors panic, selling their shares at the worst possible time. Think back to 2008-09, when many investors were selling their shares at the absolute worst time, destroying their life savings. Investing in these two shares will not help you avoid volatility completely. But if you maintain a long-term view, they should help you hold on to your shares with more comfort when times turn tough.

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Date
2025/08/25
Date Created
2019/05/13
Author
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