Staying Calm in a Falling Market

Description

The objective of stock investors is to outsmart the market every time. Regardless of your investment horizon, the bottom line is to buy low and sell high when the opportune time comes. However, when the market is unexpectedly beset with uncertainties, the fear of losing money takes precedence and panic selling ensues.

This herd mentality is prevalent in the stock market. It's one of the psychological traps investors fall into. No one wants to get caught in a market selloff much more a stock market crash, but seasoned investors do not easily succumb to pressure. They won't sell for pennies on the dollar.

The breakdown of U.S.-China trade negotiations is a thorny issue. Many are in panic mode and predisposed to cutting losses, while others are unperturbed and would still scout around for stocks with potential upsides while avoiding the busts.

Good stocks and bust

Let's take the case of **Kinder Morgan Canada Limited** (TSX:KML)(NYSE:KMI). The shares of this oil and gas midstream company dropped -6.48% to $12.25 from last week's closing, which could be the start of a downtrend. Still, it's not the time to panic. Look at what the analysts foresee.

The recommended rating for KML is a hold as the average price target is $24.83 or a potential over 102.7% increase from the latest price. Patience has its rewards and losses are contained since KML pays around 4.0% dividend. For prospective investors, the drop is an excellent buying opportunity.

Dividend stocks are always great investments in a market downturn. **Power Financial Corp.** (TSX:PWF) also fell last week. If you're monitoring the stock, the -2.95% drop to $30.30 is not alarming. The market mood caused the slide but not the trade war. Why unload when this financial services and insurance provider that pays 5.5% dividend?

Sometimes, you need to conduct a more extensive evaluation to appreciate this stock and avoid panic. PWF recently bought three companies, namely Great-West Life, Investors Group, and London Life.

Once the acquisitions are fully synergized, **Manulife** (TSX:MFC) and **Sun Life Financial** (TSX:SLF) will have a formidable competitor.

SNC-Lavalin Group Inc. (TSX:SNC) is an entirely different case. The stock is currently trading at $27.05 at writing and down -41.15% year-to-date. You should have been prompted to sell when the price started falling late January. It's not worth clinging to a company that is embroiled in a mess.

Investors are becoming wary of this $4.72 billion engineering and construction company. There's every reason to cut and cut cleanly if the stock is nearing its 52-week low. About a year ago, SNC is flying high at $56.46. But because of the quagmire they're in today, it's not an attractive proposition, and the 2.83% dividend is in peril.

Panic selling should be justified

The market is full of surprises. As much as possible, don't panic whenever there is a market correction. But in the event of a large and looming market plunge, assess your stock portfolio. You only push the panic button when it's justified. Otherwise, you have to trust the cycle.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:KMI (Kinder Morgan Inc.)
2. TSX:ATRL (SNC-Lavalin Group)

PARTNER-FEEDS

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