Why the Markets Could Sink Lower — and That's Okay

Description

At the beginning of 2019, it may have felt like a new beginning for many investors. After a huge dip in the markets at the end of the year — affecting everything from risky cannabis companies to solid bank stocks — shares across the board seemed to bounce right back to the levels seen before the markets literally went south.

For example, the **S&P/TSX Composite** went from a plunge of almost 15% between September and December to gaining almost 20% by April. Things were looking up.

But the market has been relatively stagnant since April, with a few dips and rebounds that have investors nervous. And while that's warranted if you're a short-term investor, most of us should be able to take a deep breath, turn off our stock monitors, and just relax.

The reason is that if you're a *long*-term investor, then what's happening in the markets doesn't really matter all that much. It comes down to a few things that will eventually go away.

First off, there are the trade tensions between the United States and number of other key trading countries. Although China and the U.S. are in the midst of hammering out an agreement, the markets are a bit wary about the results.

Then there's the inverted yield curve from the Federal Reserve, which has meant an incoming recession almost every time during the last 60 years. This has lead many analysts to warn investors that bank stocks, real estate, and other industries could take a hit very soon.

The oil and gas industry has been hit repeatedly. Even while the U.S. oil and gas market rebounded a fair bit, Canadian companies have continued to struggle.

Until there are a few pipelines projects finally underway, and the glut in the industry improves, these cheap prices will likely continue.

But let's circle back to my main point. If you're a long-term investor, all of these problems willeventually be solved. In fact, given the downturn in the market, now could be a great time to reinvest.

One of the best ways to do that would be to look at these cheap banking stocks. Canadian banks stocks were some of the best-performing in the world after the Great Recession in 2008-2009, making them the perfect defensive play should the markets go down.

Given how cheap they are, now is the best time to snatch them up before they revert to where they were before the markets slumped.

If you're going to choose one, I would go with **Royal Bank of Canada** (TSX:RY)(NYSE:RY), Canada's largest banking stock by market capitalization. The bank has expanded into two areas that have seen an increase in revenue lately.

The first area of growth has been the company's expansion into the United States, and second, the bank's focus on wealth and commercial management. Both of these areas will create high-margin recurring revenue for Royal Bank.

Foolish takeaway

I'm the first to admit that it can be terrifying when you open up your financial application one morning to see that all your stocks are down. Those sinking stocks give you a sinking feeling like you did something wrong.

But trust me: you didn't.

If you've invested in strong stocks, then trust yourself and your choices and just keeping holding on. After a few years, or even a few decades, this time will look like a blip in your portfolio — one that you'll have rebounded from, and then some.

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