



## Investors Panic as the TSX Falls 393 Points in 2 Days!

### Description

This past week was a rough one for the S&P/TSX Composite Index, which slid 393 points, or 2.3%, on Tuesday and Wednesday. The losses come after months of recession worries and a summer characterized by major trade tensions. Immediately before the selloff, *Reuters* published data showing that U.S. manufacturing had slid to a 10-year low. Although a decline in manufacturing doesn't necessarily indicate that a recession is coming, it can be ominous when combined with other signals like inverted yield curves — which have also been seen recently.

For investors, now would be a good time to re-evaluate portfolios and move into less-risky assets. I'll be discussing a few potential candidates shortly. First, though, let's take a closer look at why the TSX tumbled in the first place.

### Global slowdown fears

The possibility of a global slowdown [or even a recession](#) has been a constant theme over the past year. The present North American expansion has been going on continuously for 10 years, an unprecedentedly long time. Historical trends would indicate that North America is headed for a slowdown, and being the world's largest economic zone, it affects the rest of the world in a major way.

Any slowdown in the U.S. would hit Canada particularly hard. Many Canadian companies make the lion's share of their revenue off exports to the States, and some Canadian banks are also increasingly relying on U.S. business. With U.S. manufacturing taking a hit, investors are probably bracing for a downturn and moving out of Canadian equities — especially those that depend on favourable economic conditions south of the border.

### Ongoing trade tensions

Trade tensions could be another possible contributor to the recent TSX selloff. A trade war between China and the U.S. has been waging for many months, with each country hitting the other with new tariffs. Although there were no new tariffs introduced in the lead up to the recent TSX selloff, it's

possible that the overall trade environment, when combined with other factors, contributed to it.

## What to do

When facing a global economic slowdown and increasing TSX losses, the best thing to do would be to re-balance your portfolio toward less-risky assets.

The least-risky category of assets you could invest in is cash equivalents. This includes T-bills and GICs. These securities carry essentially no risk but offer better results than bank deposits.

The next category of assets you could look at is short-term, interest-bearing bonds. These come with a certain measure of risk, but much less risk than stocks.

A final category of asset you could consider is utility stocks. Although all stocks face some risk, utilities tend to do well in recessions and fall less in bear markets than other stocks do. Consider **Fortis**, for example. This stock actually gained on Wednesday, when the broader TSX slumped. As a utility, Fortis provides an essential service (heat and light) that people can't cut out completely, even in the worst recessions. Additionally, the stock pays a [generous and rising dividend](#), so it can provide income, even when the markets are tanking. It's certainly not the *least-risky* investment you could make when anticipating a recession, but it's better than most stocks.

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