Why January Might Be the Best Time to Buy Stocks

Description

The stock market has performed very well for much of 2019. However, with valuations being high and the markets being due for a sizeable correction, it may be a good time for investors to take a break from investing and wait for the new year to roll around before buying any stocks.

Why December could be a bad month for stocks

December has been off to a rough start, and things could get worse before they get better. A trade deal involving the U.S. and China being put off yet again could weigh on North American markets as a whole. And with Canadian banks not doing too well in this most recent round of earnings, it may have investors second-guessing the strength of the economy. The obvious reason a decline could happen is that we're simply overdue for one.

Last year, the markets had a disastrous month of December, which led to January being a very strong month for 2019. January of 2018 is when the markets started to falter last year, and back in 2017 it was in February when the markets dipped that year. An early- or late-year decline has been the norm over the past few years. And with the TSX at even higher levels than it was a year ago, there's even more room for the markets to fall this time around. Whether it happens this month or not is by no means a certainty, but it's clear that a slowdown is inevitable.

With stocks already starting to tumble this month, we may already be well on our way to another market dip. The cannabis sector has produced some significant losses this year, and there could be lots of tax-loss selling that takes place between now and the end of the year, as investors lock in losses for tax purposes that they can use to help offset gains elsewhere. And if a recovery happens, that means January could be another hot month on the markets.

One stock to watch

The one investment that I'm going to be keeping a close eye on if the markets continue to struggle is **Canadian Imperial Bank of Commerce** (TSX:CM)(NYSE:CM). The bank stock has recently fallen after posting a disappointing earnings result. However, there's little doubt that the CIBC will recover from this. And that's why it's a great stock to watch, because the further it drops, the better of a deal it becomes. The stock also pays a dividend of more than 5% per year, and the more that its share price falls, the higher that yield gets.

A falling share price would help investors lock in a good price that could make capital appreciation very likely, and it would also secure a better-than-normal dividend yield. The opportunity to be able to buy the stock below $100 is not one that investors should miss. It was back in August the last time the stock closed below the $100 mark.

An earnings miss is just a bump in the road for the company. Over the long term, CIBC stock is among the safest places where investors can put their money. Strong profits, a high dividend, and an airtight business model are just some of the reasons why it would be an easy decision to invest in the bank stock.

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