



Long-Term Investors: How Increasing Volatility Can Help to Strengthen Your Portfolio

Description

For many investors, seeing higher volatility in global markets is something that can incite a little fear and panic. While it's never necessarily welcomed to see increased volatility, since it usually brings large swings in your portfolio's value, as investors, we can use the volatility we are seeing today to better prepare our portfolios.

It's become the norm for a President Trump tweet to move the market one way or another for days at a time. We have also become accustomed to seeing one trend develop for a few days, and then, due to a change in the President's mind, the market moves back the other way.

When the market moves either way, investors should pay attention to how their portfolio handles it to see where your portfolio comes up short and can be improved.

If the president tweets something, and the market views this as bearish and stocks begin to sell off, you can check to see how your portfolio is affected.

Maybe your total portfolio beta is too high, which would result in large swings to the downside when the markets begin to fall.

Or maybe you lack defensive companies or exposure to gold, which would also help you to mitigate the downside risk.

Conversely, when the markets are moving higher and reaching all-time highs, if your portfolio is lagging behind, it's possible you have too much defence in your portfolio and need to increase your exposure to the upside.

If you need to add a stock to give you protection to the downside, I'd consider adding **Kinross Gold** ([TSX:K](#))([NYSE:KGC](#)). However, if you need a stock that will perform well on the up days, I'd look at adding a [growth stock](#) such as **Cargojet** ([TSX:CJT](#)).

Kinross Gold

As many investors know, gold stocks are some of the best stocks to add to a portfolio if you are searching for downside protection. Gold is a safe-haven currency that tends to get bid up as its demand increases, when there is fear in world markets.

Gold stocks are highly levered to the price of gold, so an increase in the price of the precious metal will almost always result in gold stocks moving higher.

Kinross is an ideal stock to add, because it's one of the best Canadian gold stocks. It has a decent profit margin, and it can provide investors with the safety you are looking for on down days in the markets.

In the third quarter alone, the company produced and sold nearly 600,000 ounces, which resulted in an operating margin of 18.5% and a net margin of roughly 7%.

It's a strong sign that Kinross is already reporting profits at these gold prices and shows how well positioned it is to take advantage of rising gold prices, which most people expect over the next few years.

Cargojet

Cargojet is a great growth stock to add to your portfolio, especially if you find your portfolio is lacking upside potential.

Year to date, its stock is up more than 40% vs. the S&P/TSX Composite Index — a measure of the entire market, which is only up about 16% so far this year.

If you compare the two on a chart, you can clearly see that Cargojet moves with the market but has a lot more upside potential.

It's an ideal growth stock that is exposed to the growing trend that is e-commerce, and one that has a strong position in the Canadian market.

Both its revenue and income are up big this year over 2018 and continue to increase as Cargojet's services continue to see increasing demand.

Going forward, it's priced fairly for the growth potential it has, and considering it has almost no competition in Canada, it should continue to outperform and give your portfolio the boost it needs.

Bottom line

Paying attention to your portfolio's performance should be done not to incite panic and rash buying or selling but rather to give you an idea of the areas where it may be coming up short to allow you to better position it going forward.

Whether you need more upside potential or downside protection, Cargojet and Kinross are two of the top Canadian stocks to consider.

CATEGORY

1. Dividend Stocks
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1. Editor's Choice

TICKERS GLOBAL

1. NYSE:KGC (Kinross Gold Corporation)
2. TSX:CJT (Cargojet Inc.)
3. TSX:K (Kinross Gold Corporation)

PARTNER-FEEDS

1. Business Insider
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