Coronavirus Outbreak: 3 Things to Keep Your Stock Portfolio Safe!

Description

The coronavirus outbreak that originated in Wuhan, China, is not to be taken lightly. So far, it has killed at least 81 people and more than 2,700 cases have been confirmed.

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Chinese authorities have closed off about 18 cities in an effort to contain the virus. However, the virus has already spread to neighbouring countries with confirmed cases in Thailand (eight cases), Taiwan (five), South Korea (four), Singapore (four), Malaysia (four), Japan (four), and farther countries in Australia (five), the U.S. (five), and Canada (one), as of the afternoon of Monday as reported by *The Washington Post*.

Now's not the time to panic, though. Here are three things you can do to help keep your stock portfolio safe.

Diversify your stock portfolio and stick with quality stocks

If you have stocks that are exposed to Asia — in particular, China — such as **Manulife**, you'll be experiencing some volatility right about now. However, if you've diversified your portfolio properly across sectors, industries, and geography, your portfolio should be able to absorb the shock.

Manulife generates about a third of its core earnings from Asia. This part of the core earnings increased by 10% year over year in Q3. The rest of its core earnings have either stayed in line or declined. So, Asia is a key part of Manulife's growth strategy.

Manulife has dipped about 5% from its high as of writing, but if you have other quality stocks like **Fortis**, **Royal Bank of Canada**, and **Enbridge**, your portfolio will still be intact. Specifically, I handpicked these leaders that are diversified across the different sectors of utilities, financials, and energy.

The idea is that these businesses will be, in general, affected by different factors, so if one stock were down substantially for whatever reason, the others would be fine.

In a more uncommon scenario, if the stocks are dragged down by a downturn, the correction will only be temporary, and the stocks will eventually recover.

If you have durable businesses, which have shown time after time to withstand economic downturns, your stock portfolio will remain in good standing.

You should feel at ease that these businesses have the expertise to navigate through good and bad times and continue paying dividends (often increasing ones), which are a great psychological factor to help you hold on to the stocks, despite the volatility inherent in them.

Focus on the long run

Don’t panic and have your eyes set for the horizon. Waves may look wild up close but are much calmer from a distance.

A market correction or even a market crash can occur anytime. However, in the long run, the stock market will rise. Therefore, having a long-term investment horizon is critical to making good returns.

Ideally, you should buy stocks with the intention of holding them for at least five years, which is typically enough time for stocks to recover from any corrections that may happen in the interim.

The coronavirus outbreak may be a reminder to people of the benefits of having insurance. And that can help drive Manulife’s long-term earnings.

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Watch the valuation

Don’t overpay for stocks. If you pay a fair or discounted price for your stocks, you should get returns that match or outperform the profit growth of the business holdings.

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