Canadians: How to Get Rich Off a Market Crash

Description

At the beginning of this week, the Dow Jones suffered the worst two-day point drop in history. The TSX also started the week with two straight triple-digit declines, falling 385 points on February 25.

Reacting to turbulence in the markets is challenging, because the wisest choice often stands in opposition to what we may consider to be common sense. To crib a now famous Warren Buffett quote, “be greedy when others are fearful.” These are the words Foolish investors should live by.

Why you should adopt a long-term outlook

The 2007-2008 financial crisis was the worst the world faced since the Great Depression. Unsurprisingly, many investors lost faith in the markets. There could not have been a worse time to bow out. Investors have been treated to one of the longest bull markets in history since the end of the 2000s.

Canadian markets have not boasted the explosive gains of their American counterparts in large part because of our energy and commodity-heavy index. In the 10 years to December 20, 2019, the S&P/TSX Composite Index posted an average annual gain of roughly 4%. The S&P 500, by contrast, posted an average annual gain of 11.2%, trouncing the TSX index. That is not to say that investors cannot make a fortune on the TSX — they just need to be selective.

In late 2018, markets were hit hard in a global rout. At the time, central banks were telegraphing a potential policy change. I’d suggested that investors pour into **Fortis**, a top Canadian utility that has achieved over 45 consecutive years of dividend growth. Shares of Fortis have climbed over 20% since that article was published. **Royal Bank**, which boasts the largest market cap on the TSX, has also increased 20% since the bloodbath in late 2018. Volatility is scary in the moment, but investors who jump on discounts and ride out the turbulence will win in the long run.

Assets to own in a correction

Earlier this week, I'd discussed the bull run for gold that has stretched into 2020. At one point, the yellow metal had climbed above the spot price of $1,680. It has since cooled off and is hovering around the $1,650 mark. Still, this is a massive uptick when we consider that gold sat below the $1,200 mark less than two years ago in late 2018. It was that market rout, and the about-face from central banks, that has been the spark for this steady climb.

Investors who do not want to store physical gold always have the option to dip into equities. **Barrick Gold**, which is one of the top gold producers in the world, has seen its stock increase 29% over the past three months. Top producers will continue to benefit from prices that have not reached these heights since the beginning of the 2010s.

Key things to remember

Foolish readers should remember that a market crash is not a signal to flee. On the contrary, now is the time to rummage through the wreckage and find discounts at top companies. At the time of this writing, top stocks like **Air Canada** and **Kinaxis** had fallen into technically oversold territory according to their Relative Strength Index.

Fools, now is the time to feast!

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