Do This If the Stock Market Continues to Crash

Description

The Canadian stock market entered a fourth day of consecutive losses on Thursday with the **TSX** losing more than 400 points, or 2.3% by mid-day, while the **S&P/TSX Venture Composite Index** crashed by 4.9% as investors scurried for cover as fears of the coronavirus spread across the globe.

There's just so much uncertainty in the markets as to when — and whether — the rapidly spreading health scare will be contained, and the recent warnings on profits by major global firms including **Microsoft**, **Apple,** computer manufacturer **HP** and international brewer **AB InBev's** announcement that it lost US$170 million in profit during the first two months of this year due to the troubling virus add more anguish to an already fearful equities trading community.

At this stage, it would be fair to say that no one really knows when the coronavirus will be contained globally, and the latest case of a California man who has tested positive for the virus yet without any known travel links or exposure to another patient could baffle everyone.

With this kind of market uncertainty, it's difficult to predict what the total impact on the global economy could look like, as no timelines can be drawn as to the end of this ongoing global health situation

But this doesn't mean anyone and everyone should lose money in the markets today.

Why not?

As the stock market crashes, you only lose real money when you sell positions during this dip.

It's only those firms with significant investment portfolios who will have to report investment losses due to fair value adjustments on their portfolio holdings if the markets remain subdued by their quarter ending dates.

Otherwise, on a personal level, an individual investor will only see paper losses, but won't lose money if one holds out during the turmoil.

We have to resist the urge to sell low during times of elevated fear and anxiety, as those who held positions during the 2008-09 great recession didn't lose anything.

Legendary investor Warren Buffett has advised people to buy stocks whose fundamentals are solid, so investors don't mind holding those stocks even if the stock market were to be closed for the next 10 good years.

It's this type of fundamentally great stocks that Fool analysts are always searching for and recommending — stocks with growing market shares, growing revenues, well positioned product lines and processes that will fare better against the competition and good management teams that execute well, enabling the firm to strongly defend its moats.

So, if you strongly believe in the fundamentals of your companies and employ a long-term buy-and-hold strategy that doesn't rely on the futile attempts of market timing, but aim to reap the rewards of being long in the market for the longest time, then it should be easy to avoid losing money in hysterical markets by just watching as traders do their thing.

Of course, oil prices are down, which hurts Canadian oil producers, but gold is hitting new highs and gold producers are smiling while traditional utilities like **Fortis Inc.** could still continue to pay or even increase their dividends.

A diversified portfolio with some low beta dividend stocks and resilient residential real estate giants like **Killam Apartment REIT** could allow one to continue harvesting regular dividends that could be used to buy the dips and make big catches in these troubled waters.

Foolish takeaway

If the market continues to fall further, perhaps you should just look away. There were some similar trying periods in history, but the global markets still recovered from the H1N1, SARS and the Hong Kong Flu, the Asian Flu and even the Spanish Flu which ravaged continents during World War I.

The TSX will still survive the current scare.

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Date
2025/07/19

Date Created
2020/02/29
Author
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