Coronavirus Crash: It's Time to Buy Blue-Chip Dividend Stocks

Description

The coronavirus crash has continued to wreak havoc on global equity markets.

The **TSX Index** and **S&P 500** are both down around 30%, and the continued spread of COVID-19 is making it hard for people not to panic. In the worst crises, the stock market tends to crash around 50%. With stocks more than 60% away from such a peak-to-trough drop, investors need to realize that it's more likely a better idea to buy than sell, even if we're expecting a scenario that could play out like the Financial Crisis.

Coronavirus crash: Try not to focus on how much worse things can get, because it's likely already priced in

Sure, the Great Depression didn't have the "luxury" of a relatively sudden bounce back in equities. While some may be looking as far back as 1929, I'd argue that it's more worthwhile to look to prior event-driven declines, which have been less severe than meltdowns like 2008 or even 1929.

Heck, many pundits are pounding the table on stocks, noting that event-driven downturns are milder in nature (around a 30% peak-to-trough drop) with a quicker rebound (some think the S&P 500 can see its highs as soon as next year). That doesn't mean things can't get much worse. It simply means that bargains now exist today. And they could either become more abundant later or disappear entirely without a moment's notice.

It's your job to swing at the bargains as they come along or risk getting struck out.

Focus less on the macro and more on what you can control. A recession is a possibility, but that means less when the markets have already priced it in.

Coronavirus crash: Extreme fear calls for extreme greed, but that’s easier said than done

Market sentiment hasn’t been this fearful in a very long time. Given the magnitude of daily declines, you could argue that the coronavirus crash is scarier than the crash that accompanied the Great Recession.

A pandemic on its own is terrifying. We’re closing in on 200,000 infections worldwide, and the world is on the cusp of a lockdown. Add the market turmoil into the equation, and it’s nearly impossible to find any form of optimism out there.

When fear rules and optimism is in short supply, it can literally pay dividends to be optimistic.

While things could get scarier over the coming months, I think people are forgetting that things could also get better. I wouldn’t make investment decisions based on when you think the infection curve will flatten or when a vaccine will be ready to go, but I would start buying stocks now while opportunities exist.

Even the blue chips are feeling the blues

If a few months ago, I told you I was waiting for a bank stock to yield 8% before buying, you would have thought I was bananas! After the coronavirus crash wiped out 33% of the TSX Index, that ridiculous level is now a reality for **CIBC**. The ridiculously high yield also comes at a ridiculously low price, with shares trading at 6.9 times trailing earnings — a level not seen since the last crash.

If you told yourself you wish you would have bought bank stocks when they sported massive yields in 2008-09, you’ve got another chance to do just that. The only question is will you reach for the falling knives and risk getting cut over the short term or stay on the sidelines and risk missing out entirely.

Stay hungry. Stay Foolish.

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