Market Crash: 1 Huge Error to Avoid

Description

The recent COVID-19 pandemic has led to a market crash. Investors that fear the worst for the economy's short-term health have spurred on a drastic sell-off.

Of course, there is plenty reason to be concerned. Businesses are closing and travel bans are coming out in multiple countries.

However, the long-term investor needs to realise that the markets always recover over a long enough horizon. During each and every crash, there are always pundits claiming that this time it's different, but it never is.

So, for the Foolish investor looking toward the future, now is *not* the time to panic. In fact, this market crash provides a chance to scout out potential deals on high-quality stocks.

Investors with cash in hand and the wherewithal to invest now stand to make a lot of money. However, they need to avoid this one big mistake to do so.

Trying to time a volatile market

Timing the market is nearly impossible, even for experts. Throw in the fact that the market is having insanely volatile sessions every day and the task is even more colossal.

While trying to time the market with swing trading might sound attractive, it's one of the easiest ways to lose money on the stock market. Don't even bother trying to predict the market's next move.

As well, there are those sitting on the sidelines holding out to try and buy at the bottom. What happens most of the time is they hold out and finally some good news comes. Then, it's too late to buy cheap as the markets start recovering.

While seemingly prudent in theory, trying to swing trade daily or holding out for the bottom of a market crash are futile endeavours in practice.

Invest for the long run in a market crash

Instead, investors should turn their attention to the long term and look for discounted quality stocks. Sure, maybe the markets continue to fall another 10, even 20%, but you can always purchase in chunks and average your purchase price down over the next little while. The point is that quality stocks now are on sale compared to previous levels, and investors can take advantage.

One such stock is **CIBC** (TSX:CM)(NYSE:CM). As a major Canadian bank, CIBC should be firmly entrenched in any list of quality blue-chip Canadian stocks.

With the recent market crash, it's trading at an eye-popping 6.9 P/E ratio as of writing, which is great value for a Canadian bank stock. With the current deflated prices, it also offers a monstrous dividend yield of 7.54%. With that yield, and assuming quite modest rates of growth, an investment of $30,000 could turn into over $125,000 in 15 years.

Now, it's important to keep in mind that CIBC carries heavy exposure to the domestic housing market compared to the other Canadian banks. However, investors looking to harness the power of long-term compounding simply can't overlook the 7.54% yield on offer as it dwarfs the yields of competitors.

Whether that extra yield is worth the extra risk or not is going to depend on individual risk profiles and long-term goals for each investor.

The bottom line

A market crash can be a scary time for investors. However, those prepared with cash in hand and a long-term outlook stand to capitalise on the fear of others. It's vital to avoid trying to time the market, as this rarely works out.

One sound long-term strategy is to purchase cheap shares of blue-chip stocks to hold for a long time. CIBC is an example of a strong blue-chip stock that can offer tremendous value to long-run investors.

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