



Market Crash: 1 Stock to Buy and 1 to Sell

Description

Market crashes can be a hectic time for investors. There is so much going on and the selling seems like it may never stop. And while stocks are going on sale and investors could be buying at these levels, it's entirely possible that if you buy too soon, you could still be at risk of losing major capital in the short term.

It's times like these when investors who are able to ignore the noise and look only to the long term will separate themselves from the rest of the market, setting themselves up for major long-term success.

Knowing what kind of stocks to buy in this environment is paramount. Equally vital is knowing which stocks to sell.

Numerous companies are going on sale that could all be attractive. The issue is only a handful will outperform the rest. Investors will therefore want to buy the most outperformers. At the same time, you want to make sure your portfolio doesn't include any under-performers.

Here are the stocks you should be buying and the stocks you should be avoiding.

Stocks to buy

When prices for all stocks fall so fast, numerous stocks become attractive for long-term investors. In order to ensure the most protection and potential for your capital, however, you'll want to buy only the best of the best.

In addition, as it's likely we are headed for a [recession](#), one of the top stocks you could buy today is a company like **Northland Power Inc** ([TSX:NPI](#)).

Northland is a renewable energy company with utility operations. Utilities are some of the top businesses to own through a recession, because investors like the predictability of their cash flows.

Northland is a strong company with stable cash flows. The cash flow comes from its utility business as

well as its long-term power purchasing agreements.

The stability of its business makes its dividend highly reliable. That dividend yields more than 5% at the time of writing, at just a 66% payout ratio.

It is therefore paramount that investors load up on high-quality stocks with robust businesses in order to weather this economic storm.

Stocks to sell

Almost all advice from investment professionals and experts will tell you not to sell stocks in a stock market crash. This is sound advice, as you don't want to panic sell some high-quality companies at what could be some of their lowest trading prices.

However, the key word being used is *high-quality* companies. If you own speculative investments that are higher-risk stocks, you may want to sell these stocks as soon as possible to collect as much cash as you can and use the funds to buy some of the top stocks on the **TSX**.

Additionally, stocks that are consumer discretionary also won't fare well in the short run as consumers tighten their belts in anticipation of tougher economic times.

A stock like **Aurora Cannabis Inc** ([TSX:ACB](#))(NYSE:ACB) is an example of both a speculative stock and a consumer discretionary company.

There may not be anything wrong specifically with Aurora or companies like it. However, as the investments are more speculative, they tend to underperform in these market environments. That's because investors can sell them and recycle the capital into high-quality companies like Northland.

An Aurora investment may pay off eventually. However, in the short term, there will be much better performers with much lower risk.

Bottom line

Although it may not seem ideal to sell some of your more speculative names at such big losses, your capital can be put to better use by investing in other companies.

For this reason, investors should look to raise cash by selling some of their lower-quality stocks. In addition, that should extend to businesses you own with higher risk. Instead, use that capital to buy the high-quality stocks trading at major discounts.

CATEGORY

1. Cannabis Stocks
2. Dividend Stocks
3. Investing

TICKERS GLOBAL

1. NASDAQ:ACB (Aurora Cannabis)
2. TSX:ACB (Aurora Cannabis)
3. TSX:NPI (Northland Power Inc.)

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