



COVID-19 Investing: What Should You Do Now?

Description

As investors have witnessed their portfolios gets decimated amid worries the COVID-19 scare will impact the entire economy, most have one important question on their mind. Have we [reached the bottom yet?](#)

Investors seem to be split. Some say the social distancing methods are clearly working, which would likely mean the bottom happened this week. As news improves and growth in the number of new cases falls, the market should march higher, even if it does hit a few bumps along the way.

The other group, meanwhile, thinks stocks can still go down significantly. They don't think steps taken to contain COVID-19 have been aggressive enough, and they point to people ignoring social distancing as evidence the policy isn't working.

Here's the dilemma: nobody really knows what's going to happen next. Predicting short-term market moves is a sucker's game at the best of times. It's even more unpredictable today. First you must figure out what tomorrow's coronavirus news will be, then you'll have to predict how the market will react to this. It's not an easy task.

Instead, let's take a look at a couple solid investing strategies you can use in today's uncertain COVID-19 world.

Risk-off assets

One of the interesting things about the last few weeks is many of the asset classes investors have used to protect themselves during previous crashes haven't performed as expected during this COVID-19 scare.

While gold usually performs pretty well in such a scenario, the yellow metal has been especially volatile lately. Pundits are saying that investors are selling off their precious metal holdings to satisfy margin calls and then piling back in when they have a little extra liquidity.

In fact, over the last month, most gold miners have seen shares fall some 10-20%. Sure, that's outperformed the rest of the market, but I doubt it's the result many envisioned when they put the precious metal in their portfolio.

Even if the market falls further from here, I don't think taking a position in gold will really help. Investors are already hedged with gold exposure. If there's any real strength in the yellow metal, they'll sell and deploy that money into cheaper stocks.

Buy quality

There are dozens of extremely [cheap stocks](#) out there with eye-popping dividend yields. Payouts of over 10% used to be rare; now they're common.

Many investors are itching to use the COVID-19 sell-off to add these assets to their portfolio, locking in succulent dividend yields in the process. Shares then return to normal and the investment can either be sold for a nice gain or held for a long time.

I'd recommend investors go another route. They should buy the best stocks they can.

Let's look at the banking sector as an example. **Laurentian Bank** has a dividend yield of more than 8% as I type this. That's a great payout, and it should be protected by earnings. Sure, Laurentian will suffer over the short-term, but the business will recover after a year or so.

But Laurentian has its own problems. The company isn't nearly as efficient as its larger competition. It suffered from a mortgage scandal a few years ago when it was revealed some borrowers falsified documents to get a loan. And perhaps most important, investors view Laurentian as a turnaround story that deserves a low valuation.

Compare that to **TD Bank**, which might be Canada's best-ran bank. It's well positioned here in Canada with a solid branch network, good mortgage growth, and an impressive wealth management division.

Its credit card business is top-notch, and I like that it has insurance exposure. And if that's not enough for you, the company gets around a third of its earnings from the United States.

Although TD isn't nearly as cheap as Laurentian Bank, you can still lock in a 5.8% dividend if you buy today. That's an excellent payout with a history of dividend growth behind it.

In other words, in a COVID-19 world where seemingly every stock is cheap, investors should pay a little more for quality. These great names are still pretty cheap as well.

CATEGORY

1. Bank Stocks
2. Coronavirus
3. Investing

PARTNER-FEEDS

1. Business Insider
2. Msn
3. Newscred
4. Sharewise
5. Yahoo CA

Category

1. Bank Stocks
2. Coronavirus
3. Investing

Date

2025/07/19

Date Created

2020/03/22

Author

nelsonpsmith

default watermark

default watermark