COVID-19 Bear Market 2020: When Should You Start Buying?

Description

The bull market is officially dead. COVID-19 has been the catalyst for the sudden and shocking end. The worsening of the coronavirus into a pandemic has expedited this bull-to-bear transition.

If you have some cash and are wondering about the right time to invest, consider these strategies below.

Let’s talk about how you can approach your buying strategy in the current bear market.

Don’t time the market and panic sell

Timing the market might be the most flawed investment strategy out there. Therefore, seasoned stock investors never recommend it. Every day is a new day in the stock market, and no one can predict when the market will go up or down. Whether it is a bear or bull market, it is difficult to time the market with your investment.

This lesson also holds for the ongoing coronavirus-driven bear market. Don’t make your investment decisions on the estimations that predict the end date of the bearish phase. Selling at the bottom could be a huge mistake.

You can buy now

It’s the perfect time to start buying, as long as you are not borrowing money or depleting your emergency funds to make the most of the sell-off.

Since the ongoing bearish phase can last for years, dollar-cost averaging may turn out to be a good buying strategy in the long run. This strategy involves investing the same, usually small, amount of money in the same stock or equity at regular intervals without factoring in how the market is acting and reacting.

A utility stock like **Fortis** can be an excellent option for dollar-cost averaging. When you practice this investment strategy, you keep on buying when others might back off, and this can pan out well by the end of the bear market phase. Also, utility stocks are generally less-risky options in times of crisis than other sectors.

Dividends are still there

Many people avoid buying dividend stocks during the bearish phase, because they fear that the companies are going to slash dividend payouts. It is a generalization that dividends drop in the wake of the market crash. Many Dividend Aristocrats that have histories of decades-long payout streaks manage to uphold dividend yields during the bear market.

The key is to pick an entity that has a long-standing dividend history and has a dependable business operation. Energy and utility companies that are natural monopolies of respective sectors could be great picks in a bearish market.

Enbridge, the largest energy infrastructure company on the continent, currently offers a dividend yield of 8.53%. The company controls the significant midstream and downstream oil and natural gas infrastructure in Canada, indicating that it can steer out of the current downtrend without incurring too many losses.

Emera is another good option to start buying in the coronavirus bear market. The company is currently offering a 4.82% dividend yield, and its clean-energy goals also make it an excellent option to buy and hold for a long-term investment strategy.

Look long term

A bearish phase in the market is not the call to stop stock investing altogether. If you are picking your stocks after due diligence and are planning for long-term growth, you can significantly benefit from a bearish streak.

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