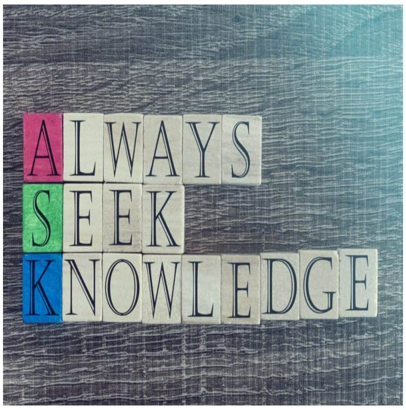

Recession Portfolios: How to Manage Your TSX Stocks in a Market Crash

Description

Building recession portfolios is an ongoing process. It can be split into three main sections. Preparation in good times lays the foundation for recession-proofing. Buying and trimming on dips and rallies takes place during a bear market. And finally, an investor recognizes the point at which the economy is returning to a bull market.

We are clearly in a bear market at present. Yes, the **TSX** just saw its first back-to-back, two-day rally since the coronavirus crash. But we are not out of the woods yet. Therefore, investors are now at the buy-and-trim stage. However, it is important to note that this is not the same as trying to time the market. Don't wait for the bottom. Rather, trim lightly on strength and buy with restraint into weakness.

It's important to recognize all three stages, though, when building recession portfolios. The last stage is recovery. The most important reason to look to the future is that it helps with buying-and-holding. That's tough right now, to say the least. But great names like **Fortis**, **CN Rail**, and **TD Bank** will recover their losses in time.

Those are great names to add to a watch list. Investors holding off on buying should now draw up a list of Canadian blue-chip stocks they'd like to add to their recession portfolios. However, it's also important to revise downward one's earnings expectations for such names. Be prepared, also, for dividends to be cut or halted.

Get ready to add to recession portfolios

Recession investing is a rather different beast from bull-market portfolio management. The best time to trim those weaker names is on bull rallies. The TSX was up by an incredible 12% midweek. The **Dow** soared 11%, the biggest one-day leap since the early 1930s. This is an ideal time to shed shares in a few underperforming names. Perhaps more importantly, though, now is the time to add to a watch list.

Investors should know where they want to buy in. Look at Fortis, selling at $51 a pop. That's $10 up from its 52-week low. Even with the coronavirus crash, that price tag could be smaller. However, its consensus low-price target is $55. It's still a bargain, so consider buying some shares in this outperforming utilities name now and some on further dips.

Or look at CN Rail. If you want to buy at market crash prices, determine where the entry point would be for you. Conversely, if you own CN Rail but want to reduce your position, do so incrementally on strength. The TSX is rallying by a huge 11% right now, bringing CN rail above its low-price target. But the rail operator is selling at $106 a share, still some way below its median target of $126.

The bottom line

These are not normal times, and market crash investors should avoid making big moves in any direction. Yes, buying and holding is tough right now. But investors need to have faith that the markets will recover. History teaches us that every recession is followed by recovery. It's always happened before and likely always will.

CATEGORY

1. Bank Stocks
2. Coronavirus
3. Dividend Stocks
4. Energy Stocks
5. Investing
6. Stocks for Beginners

POST TAG

1. coronavirus
2. market crash
3. recession
4. utilities

PARTNER-FEEDS

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

Category

1. Bank Stocks
2. Coronavirus
3. Dividend Stocks
4. Energy Stocks
5. Investing
6. Stocks for Beginners

Tags

1. coronavirus
2. market crash
3. recession
4. utilities

Date
2025/07/21
Date Created
2020/03/26
Author
vhetherington