CAUTION: Don’t Sell Your Stocks at the Bottom: Do This Instead

## Description

One of the reasons why many investors still cling to real estate investment, despite a higher cost of investment and relatively lesser and slower returns, is the tangibility of the investment.

The money is tied to an actual, physical asset, and even if it loses its value, it usually never drops down to actual zero. If nothing else, most real estate assets at least pay the investors their actual capital back.

Does that make investing in stocks an inferior or risky investment? Definitely not. Especially if you have chosen to invest in good businesses with promising prospects, but that doesn’t mean that investing in stocks is completely risk-free.

One of the risks it poses is the effect of external factors on the broader market. Like the effects, the stock market is experiencing now because of coronavirus pandemic.

Despite millennia of evolution, however, we haven’t really shaken off the herd psychology. And during a market crash, when a few investors and institutions start dumping back stocks in the market, others follow the lead.

This prompts many investors to sell their stocks at the bottomed-out prices. But they still do it, because it’s better to lose some than to lose it all. But if you’re doing the same, stop, take a deep breath, and reevaluate your position.

# Hold!

Ask yourself, why are you selling your stake in a good company? If you are doing it just because everyone else is, then you are simply responding to a (probably) unjustified market panic.

If you are doing it because you believe that the company is going to go bankrupt and your stock will be worth nothing, then you need to understand that coronavirus isn't causing structural and fundamental changes in the businesses.

Due to supply chain hurdles, transportation issues, and changes in buyer behavior, many companies are feeling and absorbing a significant impact on their operations and sales. But that's not equal companies being bankrupt. And based on the stability and scale of the businesses you have invested in, the recovery may be just as swift.

But if you sell your stake now, it's over for your portfolio. You will probably lose all the progress your shares made throughout the years you held them. Even if you sell them slightly above the price you bought them at, you are still losing to inflation.

## Buy!

First of all, don't buy what you don't understand or what you haven't research. But if you know a good business, and you are sure that it will recover from the current crash, now would probably be the best time to buy. Everything is at a discount, and you can have your pick of the litter.



**Air Canada** (TSX:AC)(TSX:AC.B), like all airlines, has suffered a great deal because of this pandemic and has practically hit bottom as far as the stock price goes. The company is trading near the price it was trading in mid-2017.

It's over 60% down from the average price before the coronavirus hit. At $16 apiece, you have a chance to pick up about 1,250 of a company's shares that increased its value by over 250% in the past three years.

Even if the company does half as well, you stand at a chance of doubling up your money in less than three years if the company starts regaining its altitude.

## Foolish takeaway

If you are still uncertain about holding on to your continuously falling stock, you may want to take a deeper look at the companies that went bankrupt during previous recessions.

How were they doing before the crash came? Were there fundamentals strong? Did they fall with their sector? Look into the companies that are very similar to the ones you have invested in.

Even if you find some commonalities, the loss of selling at the bottom might outweigh the risk of holding and hoping for recovery. If nothing else, it will teach you some valuable lessons about picking the right stocks.

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