Millennials: Don't Forego This Buying Opportunity of a Lifetime Amid the Market Crash

Description

The broader markets have been in a downward spiral for over a month. The **iShares S&P/TSX 60 Index ETF** is trading at $19.44, which is almost 30% below record highs. While markets are expected to be volatile in the coming months, it's impossible to time the equity markets — and investors need to consider every major dip as a buying opportunity.

A market crash is a time to be greedy rather than fearful. Investors are rightly spooked over the impact of the COVID-19 on the economy. Consumer spending has declined drastically, which means that the top-line and earnings of several companies will be severely impacted.

We have seen stocks in the airline and luxury retail sector such as **Boeing, Air Canada** and **Canada Goose** lose significant market value to trade at multi-year lows. However, there are also several companies that have outperformed the bear market and have managed to hold their own in this market crash.

It is difficult to predict when the pandemic will end or if the global economy will return to normalcy. But this is a near-term headwind and economists expect countries to bounce back in 2021. Amid this chaos, millennials with a long investing horizon have an opportunity to buy blue-chip stocks at attractive valuations.

Dividend-paying stocks

For millennials who are looking to earn a stable stream of income, investing in high-quality dividend stocks can be a good bet. Canada's blue-chip companies have attractive dividend yields and a few of them are mentioned below with their respective yields:

- **Royal Bank of Canada:** 5.2%
- **Toronto-Dominion Bank:** 5.6%
- **Enbridge Inc:** 8.3%

- **Canadian National Railway:** 2.2%
- **Bank of Nova Scotia:** 6.6%
- **TC Energy:** 5.6%

These companies are the largest in Canada with a huge market presence. They have enough cash in reserves to keep paying dividends, which makes a dividend cut unlikely. Further, a strong balance sheet will help them tide over the current market crash.

Defensive stocks

Investors can consider defensive stocks that will outperform the current bear market. Defensive stocks are companies that are vital to the consumer, which means spending is unlikely to reduce for these essential products and services.

The companies that come under this category include grocery chains, utility companies, and telecom firms. Several defensive companies also pay attractive dividends due to stable cash flows and a few of them are mentioned below:

- **Walmart:** 2%
- **Loblaw:** 1.9%
- **Metro Inc.:** 1.6%
- **Verizon:** 4.7%
- **Telus:** 5.5%
- **BCE Inc:** 6.2%
- **Fortis:** 3.8%
- **Canadian Utilities:** 5.4%

Contrarian buys

While several stocks are trading at multi-year lows, the energy sector has been hit hard due to rock bottom crude oil prices. Canada has high exposure to the energy sector and several stocks are trading at multi-year lows, making them attractive to contrarian and income investors.

The current oil prices have made producing and extracting the commodity extremely unprofitable, indicating that crude prices should move higher once the market stabilizes, which will drive stock prices higher.

Investors can consider energy stocks such as **Pembina,** and **Suncor** for their portfolio. While Pembina has a forward yield of 10.4%, Suncor’s yield stands at 11.9%.

High-growth stocks

For investors with a long-term view, growth stocks continue to be a winning bet. These companies have a high beta, which means that they will underperform indexes in a market crash, but will gain significant momentum in a rebound.

Stocks such as **Shopify, Lightspeed, Aritzia,** and **Constellation Brands** are solid growth stocks that have the potential to create massive shareholder wealth.

Finally, investors can also look to add alternative investment stocks such as REITs and gold companies to their portfolios.

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