Stock Market Devastation: How to Recover From a Massive 2020 Sell-Off

Description

The stock market is in shambles right now. The patterns are starting to mimic the Great Recession in 2008-2009, and many experts believe that it might get much worse if the pandemic keeps on ravaging the economy. If you are one of many investors who have lost money in the market, you might be feeling hopeless right now — especially if your portfolio leans mostly towards growth stocks and you earn from your investments through systemic withdrawals.

While the situation might seem really dark now, there is still hope. Your portfolio might still be salvageable. And it's not just naive optimism. If you take a good look at the patterns of the last recession, you will see recoveries similar to what we might see when the pandemic ends.

Lessons from the last recession

While recessions have the power to pull the mightiest of stocks down from prominent positions, many companies have the fundamentals to recover and start growing again. Some did that within two years. If we take a look at the telecom sector, the giant aristocrats, **Telus** and **Cogeco**, fell by 50% and 40% respectively in 2008, and they both recovered the former market values in 2011.

In the strongest institutions, the two kings, **Royal Bank of Canada** and **Toronto-Dominion**, both lost about 45% of their market value starting from the first half of 2008. Both banks got their valuations back in the last quarter of 2009. **Enbridge** fell around 33%, and **TC Energy** (then TransCanada) fell by almost 25%. Both companies were trading at the pre-recession values before 2009 was over.

All of the companies mentioned above are aristocrats, and most of them increased payouts even during the recession. If you have companies like these in your portfolio, then you just have to swallow the bitter pill of the present and wait for a sweet future.

The proactive approach

Many investors will be better off than they think once this is all over. But for the more daring of you who believe in the proactive approach and have a “fight-the-tide” attitude, you can balance your current losses by picking up great stocks trading at a discount. If you hold on to them for long enough, many stocks have the potential to offset your current losses in the near future.

One such stock is **Genworth MI Canada**, a 145-year-old insurance company. It’s the Canadian wing of U.S.-based **Genworth Financial** and holds a prominent position in the country as the largest private mortgage insurance company. The company is also a Dividend Aristocrat, with 10 years of consecutive increases under its belt. It’s also a decent growth stock with 10-year CAGR of 12.6% (before the crash).

Currently, the company is trading at $32.4 per share, 46% down since February. With that kind of discount, a strong business model, and a too-big-to-fail parent company, this discounted stock holds power to offset your losses within a decade.

Foolish takeaway

Stock market devastation will hit you the most if you pull out from the falling market. You might mitigate your potential losses just by staying put and holding on to your investments. If the past recession is any indicator, the market will get back up within two or three years. And if you manage to weather a couple of harsh years and take advantage of the 2020 sell-off, your portfolio might become stronger than ever.

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Date
2025/08/16
Date Created
2020/03/31
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