Do This If the Market Crashes Below 52-Week Lows

Description

The markets pulled back viciously on the first day of April following dire U.S. infection projections. The **TSX Index** pulled back 3.8% and the **Dow** tanked 4.5%. That wasn't exactly a good start to the second quarter, to say the least, which is likely to be a brutal one for businesses across the globe.

With ugly numbers looming, investors should be prepared for what could be another wave of capitulation. There will undoubtedly be many negative surprises as companies pull the curtain on earnings, with updated guidance to account for the devastating impact of COVID-19.

Off-the-charts volatility the new norm through Q2

Investors should be ready for the new norm: off-the-charts volatility, as the insidious coronavirus continues spreading at a rampant rate.

Eventually, we will get around the curve, but it's a foolish (that's a lower-case "f") endeavour to try and trade the coronavirus pandemic.

Rather, investors should stay focused on the long game and resist the urge to make rash decisions, such as fear-induced selling or greed-induced buying on short-term market moves, like the three-day rally enjoyed in late March.

While you should be greedy while others are fearful, as Warren Buffett suggests, it's possible to be *too* greedy. Warren Buffett is sitting on billions of dollars worth of cash, a luxury that you probably don't have. As such, it's vital to ensure you've got enough cash to buy incrementally on the way down over the next few months if it turns out we're not yet at the bottom.

Moreover, your emergency fund, which is to be used for emergencies only, should be off-limits and should not be used to time a bottom. And please don't consider investing on a margin at a time like this. As Warren Buffett put it, "It is crazy to borrow money on securities… it's insane to risk what you have for something you don't need."

Keep liquid — and keep nibbling at stocks on the way down

Liquidity dried up last month. Thus, you're going to need to ensure you're not put in a position where you'll be forced to sell your existing stocks at a steep loss. If an emergency happens, there are no substitutes for cold, hard cash, as we found out in March.

If you maintain liquidity, you'll be able to seize the opportunities in this market. But as an individual investor, you'll need to pick your spots very carefully and not only invest what you know, but also invest in what you can value with some degree of certainty at a time where uncertainties couldn't be greater.

Consider shares of a wonderful business like **Fortis**, which stands to be less impacted by the coronavirus (COVID-19) crisis relative to most consumer-facing firms out there.

The pandemic isn't just devastating on its own, but it's also going to leave a nasty recession behind, so investors are going to need to be ready to ride out the post-pandemic slowdown. Fortis has outperformed in past recessions and it will continue to do so in future ones, as it continues providing essential services to its communities.

If you're rattled, keep nibbling at Fortis gradually and systematically over the coming months while maintaining sufficient liquidity. That way, you'll profoundly increase your chances of this market crash ahead of most other investors on the Street.

Stay hungry. Stay Foolish.

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