Millennials: The Stock Market Crash of 2020 May Be the Opportunity of a Lifetime

Description

The COVID-19 pandemic has had a huge impact on equity markets in the last two months. The number of coronavirus cases has reached close to 1.5 million with over 80,000 deaths as of April 7, 2020. To combat the deadly virus, governments have had to shut down businesses, schools, and colleges. Several countries have closed their borders bringing sectors such as travel and tourism to a standstill.

The massive drop in consumer spending will have a huge impact on global economies, as most people are just buying essential goods and services such as groceries and medicines. Tech giants such as **Apple, Microsoft**, and **Broadcom** have lowered their guidance for the upcoming quarters. Though **Shopify** is likely to meet its forecast for the March quarter, it has suspended guidance for the rest of 2020.

However, investors should note that the volatility is likely to be a near-term headwind. Stock markets have created massive wealth for long-term investors and are likely to do so in the future as well.

One of the world's most renowned investors, Warren Buffett, famously stated, "*Be fearful when others are greedy and be greedy when others are fearful*". This means you need to buy shares when others are selling and vice versa. Buffett has been a strong advocate of equities especially in times where bond yields are nearing all-time lows.

Buffett's company, **Berkshire Hathaway**, had a huge pile of cash amounting to over a $100 billion ahead of the crash. It is very likely that this reserve will now be used to buy top-quality stocks.

Millennials can create massive wealth in the upcoming decade

The ongoing bear market has provided an opportunity to buy stocks at cheaper valuations. Millennials with a long-term investing horizon need to identify stocks with strong fundamentals, expanding addressable markets, and robust cash flows.

Growth investors can look to invest in stocks such as Apple and Shopify, as well as
Amazon, Lightspeed, Alteryx, Roku, Etsy

. Growth stocks tend to trade at a premium valuation. This means they are vulnerable in a downturn and will underperform broader markets in a sell-off.

However, these companies have also created staggering wealth over the last few years. For example, a $1,000 investment in Amazon back in 2005 would be worth close to $61,000 right now. Comparatively, a $1,000 investment in Apple would have ballooned to $44,000 today.

Millennials with lower risk appetite can consider defensive stocks such as utility and telecom companies including **Telus, BCE Inc, Fortis,** and **Emera.** These defensive companies provide essential services and have a steady stream of cash flows allowing them to pay regular dividends and increase shareholder wealth.

For millennials who don't have the time or expertise to keep track of individual stocks can invest in liquid exchange-traded funds. The **iShares S&P/TSX 60 Index Fund** has exposure to 60 of Canada's largest companies and is the most liquid ETF in the country. Similarly, the **S&P 500** gives investors exposure to the top 500 companies south of the border.

The stock markets fell over 30% from record highs but have recovered to a certain extent in the last two weeks. Millennials should remember that it is impossible to time the markets and consider the recent pullback as a buying opportunity.

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