



Market Crash: I'd Buy When Dividend Stocks Are on Sale

Description

The stock market's crash has taken place over a short time period. However, it is not the first time that the world economy has faced a highly uncertain outlook which has caused stock prices to decline significantly.

Following previous market crashes, [stock prices](#) have recovered to post new record highs. Therefore, long-term investors may be able to capitalise on the cyclicity of the market through purchasing undervalued dividend stocks. Doing so could boost your financial outlook, and help you to enjoy financial freedom in retirement.

Market crash

The recent declines in the stock market may have taken many investors by surprise, but similar falls have been recorded on a number of occasions in the past. For example, the most recent bear market was the global financial crisis, while the technology bubble also decimated a number of indexes across the world.

Indeed, the stock market experiences periodic falls which wipe significant amounts of value from its members. However, just as bear markets follow bull markets, recoveries have also always been recorded after stock market declines. As such, the current challenges facing investors may worsen in the near term, but over the long run a recovery seems to be highly likely.

Investing opportunities

Since the stock market has always displayed cyclicity, investors can boost their returns through buying stocks when they are experiencing a severe downturn. At the present time, a large number of companies offer high yields and low ratings. As such, now could prove to be the right time to buy a range of companies, and hold them for the long term.

Past bear markets have not always morphed into bull markets overnight. There are often many false

dawns, in terms of stock prices recovering for a short period to then deliver yet more declines. However, by focusing on the long-term prospects for the economy and buying high-quality stocks while they are undervalued, it is possible to use market cyclicity to your advantage.

Dividend stocks

While some investors may feel that buying growth stocks is a sound move at the present time, dividend stocks may have greater appeal. Not only do they offer a generous income return relative to other assets, they could also deliver high capital returns in the coming years.

History shows that a large proportion of the stock market's total returns have been derived from the reinvestment of dividends. As such, buying companies which have affordable shareholder payouts and some defensive characteristics to protect them from the current economic turbulence may lead to high returns in the long run.

Certainly, this strategy may lead to paper losses in the near term. But, the past performance of the stock market shows that buying a diverse range of undervalued income stocks can produce relatively strong returns in the long run. Now could be the right time to use that strategy while stock prices reflect large margins of safety.

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Author

peterstephens

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