



Market Crash 2020: Sorry Folks, You've Missed the Bottom

Description

One of the most interesting parts of any market crash is watching how investors react.

Not everyone reacts the same way, of course. Bullish investors who believe in the power of the stock market — and the resilience of the overall economy — will start to get excited about all the bargains available. Bears, meanwhile, have the opposite reaction.

They'll tell everyone that this is just the first leg down, and the real pain will come when economic numbers start coming out. Only then will we realize just how deep this recession is.

But something interesting is starting to happen — something that directly disputes the average bearish investor. Economic data is trickling out, and it looks quite bad. But as markets already expected such carnage, most investors don't have a strong reaction to the numbers.

Shares are marching higher lately. Sure, there's the odd down day in there, but for the most part, investors have already accepted this is the new economic reality. Another encouraging sign is that the volatility has lessened.

In short, it looks like stock markets are starting to return to normal. And as stocks have already rallied 25% off the lows, it sure looks like investors have missed the bottom of this market crash.

No lows? No problem!

Missing the lows shouldn't be a big deal. After all, a crashing market will see stocks move violently lower for a period of time until they seemingly move on a dime and start to march higher.

What makes timing the absolute bottom even tougher is that every bear market will have sharp rallies as investors buy any good news. Bad news then comes roaring back, and stocks move lower again.

With those two things going against them, what chance do investors have? It's almost impossible to put your cash to work at the bottom. There's just no way to predict it.

Amazingly, even though most investors already know this, I still see many of them obsessed with that level. They're either sitting on cash waiting for stocks to retest the lows or they're lamenting the missed opportunity. No matter which approach these folks take, the result is the same.

They sit on their hands, doing nothing. That's a shame, because there are some terrific [buying opportunities](#) in today's market, even if stocks have rallied nicely off the lows.

One great market crash investing idea

Many top real estate stocks have been crushed lately, which is great news for long-term investors looking to own these great assets.

For instance, **BSR REIT** ([TSX:HOM.U](#)), which [owns apartments](#) in various cities across the southern part of the United States, has watched its shares fall significantly. After reaching a high of more than US\$13 each, the company's U.S. dollar-listed shares have now fallen below US\$9. While that's a far cry from the 52-week low of US\$7.52, it still represents a terrific bargain.

In 2019, the company generated approximately US\$0.60 per share in adjusted funds from operations and looks well positioned to gradually increase that number over time. It has had success in raising rents, a trend that should continue after today's economic chaos is in the rear-view mirror.

Investors also have to like BSR's high degree of insider ownership. CEO John Bailey and board member Daniel Hughes own approximately 47% of shares. Other insiders have also been buying.

And perhaps most important, management has been using this market crash as an opportunity to buy undervalued shares; the company repurchased some 90,000 shares in March alone.

Finally, let's talk about BSR's dividend. The current yield is 5.5%, an excellent payout for an apartment REIT. Most of its peers offer yields in the 3-4% range. And thanks to a strong balance sheet and some recent asset sales, BSR's dividend looks to be pretty secure, even if the recession lasts a little longer than anticipated.

The bottom line

If you're one of those investors disappointed because you missed the bottom, it's time to change your attitude. Instead, focus on the plethora of cheap stocks that you can buy. There are dozens of compelling opportunities out there. BSR REIT is just one of them.

CATEGORY

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Author

nelsonpsmith

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