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Why Now Is the Time to Buy Stocks

Description

About three weeks ago, the **TSX** entered a bull market after hitting a multi-year low. While there could be further declines, the rebound will likely give investors more courage to buy stocks knowing that there is potential for making a good profit.

As the coronavirus continues to spread, here's why now is the time to buy stocks.

Spreading your stock purchases lowers your risk

Volatility in the stock market isn't always a bad thing. If you contribute to an RRSP or a TFSA on a regular basis, you are increasing your existing holdings by buying stocks at different prices. When prices are lower, you buy more stocks. When prices are higher, you buy fewer stocks.

By spreading out your stock purchases, you are reducing the impact of volatility on your portfolio. This strategy is called dollar-cost averaging.

As frustrating as falling stock prices are, keep in mind that buying more stocks at lower prices puts you in a stronger position when prices start to rise again.

Plus, it's less risky to buy stocks in small quantities now than in large quantities, as the stock market might fall again.

Stocks haven't been that cheap in years

The stock market might have already priced in a recession. Bear markets tend to end with a recession, they don't begin with them. So, it's possible that the bear market is over. Stocks have reached a good entry point for investors on a six to 12-month horizon.

According to Mike Wilson, chief investment officer of **Morgan Stanley**, the worst is behind us, and the stock market offers the most attractive risk/reward tradeoff in years. The risks of the coronavirus have brought prices down to their lowest level in several years.

While the stock market has rebounded in recent days, it's possible that it hasn't bottomed out yet. We don't know when the coronavirus crisis will be over.

Although the stocks may have not bottomed out, you should avoid trying to time when it will happen. It's notoriously difficult to time a bottom, and you could miss significant returns while trying to time the market. A better strategy is to buy stocks at prices you're comfortable with.

As coronavirus risks persist and the world goes into recession, you can buy quality stocks at attractive entry points.

Canadian Tire (TSX:CTC.A) is a good example of a quality stock that you can buy now at a cheap price. The stock has lost about a third of its value since the start of 2020. Much of the bad news has probably been taken into account in the stock's valuation. The trailing and forward P/E of the retailer is 8.35 and 8.23, respectively, down from 13.53 and 11.14 a year ago.

Canadian Tire is one of the largest retail chains in Canada with over 1,698 stores across the country. A key difference that distinguishes Canadian Tire from other retailers is its ability to succeed as a brick-and-mortar retailer, despite a boom in online shopping.

The company's branding strategy along with key acquisitions of companies such as Mark's and Helly Hanson have helped the retailer continue to attract people into its stores. Most people don't buy tires or appliances online. Canadian Tire should rebound faster than other retailers once the pandemic has passed.

The stock has an attractive dividend yield of 5% and a five-year dividend-growth rate of over 17%.

CATEGORY

1. Coronavirus
2. Investing

POST TAG

1. coronavirus
2. recession

TICKERS GLOBAL

1. TSX:CTC.A (Canadian Tire Corporation, Limited)

PARTNER-FEEDS

1. Business Insider
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