50% of Canadians Could Make This Huge Market Crash Mistake

Description

The COVID-19 pandemic has completely disrupted global economies to a scale previously unimaginable. With all the advances in medical technology, a global health crisis of this scale was not something that people expected to take such a hold.

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The volatile financial environment leads to investors making rash decisions, fueled by anxiety about how bad things can get.

I am going to discuss one crucial mistake that investors make during a market crash that you should avoid. Understanding it will help you refrain yourself from giving in to fear and retain a healthy portfolio as markets recover.

Selling at the bottom

As market volatility reaches epic heights, investors feel tempted to sell their shares. They think that it is a better idea to trade in the stocks they own for cash. It has been the case in the bear market of 2000 and the recession of 2008. Many investors make the mistake of pulling out their money as the market bottoms.

If you keep hoarding cash as the market bottoms out, you risk the opportunity to capitalize on capital gains once the markets recover. The current market meltdown is unlike any we have experienced before. It is happening due to a global health crisis, and economies are shut down in a manner we have never witnessed before.

Many investors with long-term plans initially plan on holding on to the shares they own. As the situation worsens, they try to brave it out. There might come the point where their investment begins to see a decline more significant than they anticipated. It could go down 20%, or even 30%. This is the kind of situation where investors make the mistake of selling their shares.

Buy and hold long-term assets

When you have a long-term strategy, it's a good idea to stick to it and weather out the storm. A stock that I think fits the bill for an asset you can buy and hold is **Fortis** (TSX:FTS)(NYSE:FTS). It is one of the most significant utility sector companies in North America. There are several reasons why it could be the perfect long-term investment to consider.

The nature of the service it provides is crucial for society. No matter how bad the situation gets, people will need their utility services. These services are regulated by long-term contracts that can span decades. Fortis is a company that will continue to generate a stable revenue as long as it can keep the power on.

Historically, utilities tend to perform much better than other segments of the economy during a recession. Where other companies registered losses of 50% during the Great Recession, Fortis suffered 15%. It is a defensive gem that you could consider adding to your portfolio.

In its most recent quarter, Fortis earned $346 million per share. It has already exceeded the $261 million it reported in the same period last year. The company can generate a stable income, even during a recession, and it distributes a substantial chunk of its earnings to shareholders as dividends.

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Foolish takeaway

I think that in a time like this, investors should try to do their best to avoid making market crash mistakes. Sticking to long-term strategies could prove to be more beneficial for investors as opposed to hoarding cash, as most people did in the last recession. Investing in shares of high-quality stocks can help investors weather the storm of the meltdown.

To this end, I think Fortis could be an ideal defensive stock to consider. At writing, the stock is trading for $53.98 per share. Unlike most stocks trading on the TSX, Fortis is up 0.47% from its share price at the start of the year. Additionally, the stock is paying its shareholders at a juicy 3.54% dividend yield. It could be worth your while considering the stock for your portfolio.

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2. Dividend Stocks
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