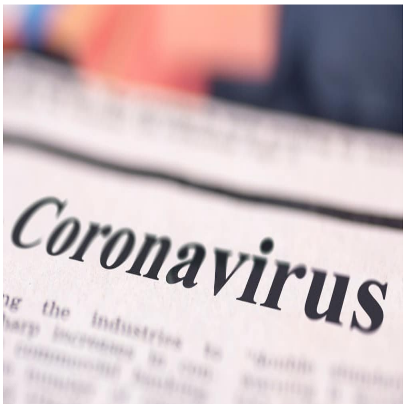

Stock Market Crash Part 2: Ready or Not, Here it Comes?

Description

Many pundits, big-league money managers, and investment strategists have been bracing themselves for round two of this coronavirus stock market crash.

You've probably heard folks on the Street calling everything from a V-shaped rally to an L-shaped rally. After all, they make for good headlines. And it can be tempting to buy into the argument for a bear or bull market. But the reality is that nobody, not even Warren Buffett, knows where the markets are headed next.

Do as Buffett says, not as Buffett does!

Buffett barely did any buying during the coronavirus stock market crash. His actions might suggest that he's expecting a round two of this 2020 coronavirus stock market crash. But Buffett also urged investors to "never bet against America," and that *anything* can happen with this highly uncertain market. Buffetts lack of buying activity only indicates that he didn't see any perfect pitches within his circle of competence.

That doesn't mean no such pitches are thrown in your personal circle. As such, you should swing at the solid pitches that are thrown your way, regardless of what that popular investment strategist on TV foresees. Because, like it or not, they have no idea what will happen next. There are far too many variables to time the markets with any degree of accuracy.

Of course, you shouldn't ever exhaust your liquidity position. As we found out in February and March, cash is king when there's a crunch. You should always have an emergency fund to deal with a crisis. Crises can come at any moment, usually when you least expect it.

So, round two of the stock market crash and the W-shaped recovery now off the table?

Given the unprecedented magnitude of global fiscal and monetary stimulus, it's hard to gauge whether stocks are really as 'expensive' as seasoned strategists are thinking. Moreover, today's valuations depend on the fate of the coronavirus, which is almost impossible to predict.

In the face of great uncertainties, you should seek to be ready for whatever the markets throw at you next, whether it be a crash, melt-up, or something in between. The case for constructing a COVID-19 barbell portfolio makes a tonne of sense since you stand to benefit in all events.

Stock market crash 2.0: Leveraging the barbell approach

A name like **Air Canada** on its own can be a reckless speculation. It's an all-or-nothing bet. An investor could lose their shirt if the coronavirus sparks another wave of lockdowns and more stringent travel restrictions.

It can also be a prudent way to bolster your portfolio's overall risk/reward profile if held alongside defensive securities in a 'barbell' approach.

"Many TFSA investors are rushing out of names at the "at-risk" extreme of the barbell because the line between investment and speculation has been blurred with such names as Air Canada." I wrote in an earlier piece outlining the COVID-19 barbell approach.

"Such a hard-hit stock [like Air Canada] could be a potential multi-bagger if a coronavirus vaccine were to arrive sooner rather than later, though, making the at-risk name worthy of a spot in an investor's portfolio, provided that the investor also has a weighting in COVID-19-resilient stocks should the pandemic drag on for another few years."

CATEGORY

1. Coronavirus
2. Investing

PARTNER-FEEDS

1. Business Insider
2. Msn
3. Newscred
4. Sharewise
5. Yahoo CA

Category

1. Coronavirus
2. Investing

Date
2025/08/23
Date Created
2020/06/04
Author

joefrenette