Yes, Another Stock Market Crash Is Coming: How to Be Ready

Description

I couldn't agree more with Foolish writer Vishesh Raisinghani on their bearish view on the economy and market. They went as far as selling 20% of their portfolio.

Here's how you can prepare.

Stock market crash: Take profit in fully valued and speculative positions

Another stock market crash can be triggered by a second wave of COVID-19. In fact, the selloff might have already started in the past week.

That's why I sold some fully valued and more speculative positions. They include **Alimentation Couche-Tard** and **Teck Resources** for some nice gains of about 30% in my Tax-Free Savings Account (TFSA).

I didn't count on exiting the shares so soon (in fewer than three months) after buying them. However, because most of their returns come from price appreciation, I must be careful about my entry and selling points.

This helped me increase my cash position that I can redeploy in a market crash.

The tricky part is deciding when to re-enter sold positions.

Get your buy list ready

I find that it's better to be familiar with a smaller group of stocks instead of trying to trade everything that appears to be a bargain.

Your buy list should be businesses that have leading/staying power and that you are confident holding on to for years.

In the current market environment, healthcare, utility, and technology stocks listed on the Canadian and U.S. exchanges should be top choices for consideration. Of course, you should filter the names in terms of quality and valuation. And then set buy ranges you would consider the stocks at.

The most conservative investors should consider **Johnson & Johnson**, **Fortis**, and **Microsoft** on meaningful pullbacks. With these three names, you don't need to think about ever selling if you bought them at good valuations, as they're of top-notch quality.

Holding high-yield dividend stocks

I'm holding on to high-yield value stocks, such as real estate investment trusts (REITs) that I recently bought, despite knowing that the recent pop could easily be wiped out from a market selloff.

Volatility is something that investors need to cope with and perhaps even embrace, because it's acting on market crashes that makes investors the most money in subsequent bull markets. Generally, I find it easier to manage if I build positions over time instead of buying them in a lump sum.

A big reason for holding these dividend stocks is that a vast portion of their total returns come from their dividends. A prime example is **Brookfield Property Partners**, which yields 12.1% at writing.

The Foolish takeaway

The market appears to have started selling off in the past week. Before a full-fledged market crash occurs, decide on your portfolio positioning, including key sectors as well as selective quality stocks you want to invest in across those sectors.

Write down the investment thesis of each quality business and decide price targets to buy at. For example, I would consider buying Fortis stock at a 4% yield. The current annualized payout would suggest a buy price of at most $47.75 per share.

On a forward-looking basis, as the utility will be declaring a dividend increase in about three months according to its usual schedule, assuming a roughly 6% dividend hike as outlined by Fortis, the price target would rise to about $50.50 per share.

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