



The Next Bear Market Is Here: Get Ready

Description

The coronavirus bear market of 2020 was a doozy. In a few short weeks, markets lost more than 30%. Trillions of dollars in value evaporated.

The resulting economic shock was terrible. Canada posted its largest spike in unemployment in history. Many other countries followed suite. Businesses shuttered around the world. Uncertainty was rampant.

But then something weird happened: markets rebounded. Today, the **S&P/TSX Composite Index** is just 10% lower year to date. It appears the worst is over. Or *is* it?

Experts are nervous

Countless stock market gurus believe another bear market is on the way. While no one is right every time, it's hard not to notice when so many experts sound the [alarm](#).

Consider Stanley Druckenmiller. He ran Duquesne Capital, which he founded in 1981 and closed in 2010. Over that period, his fund rose in value by an average of 30% per year without *ever* experiencing a down year, even during several bear markets.

"The consensus out there seems to be, "Don't worry, the Fed has your back,"" he said last month. "There's only one problem with that: our analysis says it's not true."

"I pray I'm wrong on this, but I just think that the V-out is a fantasy," he added, noting that the risk-reward for [stocks](#) is the worst he's ever seen.

Legendary investor Jeremy Grantham, co-founder of GMO Asset Management, agrees.

"This is apparently one of the most impressive mismatches in history," he wrote in an investor letter this month. Grantham highlights that the stock market is priced in the top 10% of its historical range, even though the economy is in the bottom 10%, or perhaps the bottom 1%.

“Everything is uncertain, perhaps to a unique degree,” Grantham concludes. He stopped short of explicitly calling for a bear market, but he came as close as possible to making the prediction.

And then there’s Warren Buffett, the champion of long-term investing. The Oracle of Omaha is rarely scared by short-term fluctuations in the market. Yet he’s sold some stocks he’s held for nearly a decade. Last year, he was a top shareholder of four different airlines. Today, he owns zero shares in any.

Get ready for a bear market

There are never any guarantees when it comes to stock market predictions. But managing your risk shouldn’t be something you do only when a downturn is likely. You should always be looking at your portfolio to understand your margin of safety.

How much would you lose if another bear market hits? Where are you most vulnerable? Can you afford to ride out another correction?

Many actually can continue invest, even if the stock market crashes. This is especially true for young people.

Growth stocks like **BlackBerry Ltd** and **Constellation Software** are great picks for this approach. These growth stories should persist for another decade or more. The valuation multiples will compress during a correction, but that’s no worry for someone with a long-term time horizon.

If you’re a pensioner or simply can’t afford to shoulder another 30% loss, consider shifting some of your riskiest investment.

Companies like **Hydro One Ltd** and **Algonquin Power & Utilities Corp**, for example, should sail through the next bear market with ease. That’s because their profits are heavily regulated, reducing upside, but also limiting downside.

CATEGORY

1. Coronavirus
2. Energy Stocks
3. Investing
4. Tech Stocks

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Sharewise

Category

1. Coronavirus
2. Energy Stocks
3. Investing
4. Tech Stocks

Date

2025/08/25

Date Created

2020/06/29

Author

rvanzo

default watermark

default watermark