



## Coronavirus Market Crash Round 2: Get Ready

### Description

Coronavirus cases are surging south of the border, with Texas, Florida, California, and Arizona suffering unprecedented spikes that could trigger a wave of reopening rollbacks.

### Don't panic

While some bears may view the latest cluster of COVID-19 infections as the beginning of what could be a broader North American resurgence, investors would be wise to not make any rash decisions over the latest slate of news that's already pressured the broader markets.

In other states and provinces, the coronavirus has shown signs of dying down, and with various initiatives (such as a ramp-up in testing) to combat the spread, there are reasons to believe that things will slowly, but surely get better over the coming months as we inch closer to a vaccine.

Central banks around the world have no idea what's going to happen next with the coronavirus. The U.S. Federal Reserve is acknowledging the uncertainties and has an arsenal of tools to put to work should worse come to worst.

The Bank of Canada governor also noted that the pandemic "created an economic shock unlike anything seen in our lifetimes," but is optimistic that we'll witness growth in the third quarter amid the broader reopening of the economy.

## Play both the bull and bear cases with your portfolio

Investors should also seek to acknowledge the profound uncertainties and be ready with their own arsenal (cash on the sidelines), so they'll be able to react accordingly once the next stock market crash hits.

A market crash is always coming. Nobody knows how severe it'll be, when it'll be, and what will cause it, but for highly-liquid investors, we should be welcoming market crashes with open arms, as they're

typically short-lived opportunities to pay less to get more.

Do keep cash on the sidelines in case things go sour, but don't be a "wallflower" and leave a majority of your net worth on the sidelines at any given instance, especially if you're young, as there's a good chance you'll be left behind if a [sustained rebound](#) happens sooner rather than later.

## All that glitters isn't gold

If you're looking to prep for the next market crash, you may think it's wise to go all-in on gold stocks or low-beta securities that tend to zig when the markets zag.

While gold is an excellent hedge for any portfolio, I'd be reluctant to buy shares of a name like [Barrick Gold](#) (TSX:ABX)(NYSE:GOLD), with gold prices that are considerably higher than that of mid-cycle prices.

Sure, gold could surge above the US\$1,800 mark, but overexposure to the asset could leave you at risk of missing out on substantial upside, as pandemic headwinds gradually fade in conjunction with the demand for safe haven assets.

Moreover, Barrick stock, as is the case with the shares of many other gold miners, is a tad on the pricey side. The stock trades at 4.4 times sales, 14.3 times cash flow, 2.1 times book, and 32.3 times next year's expected earnings, all of which are substantially higher than that of the stock's five-year historical average multiples of 2.2, 8.1, 1.9, and 23.6, respectively.

A gold stock, even a crème-de-la-crème play like Barrick, is akin to an insurance policy. It can buoy your portfolio in a market crash and may seem like a prudent bet. But overbuying insurance at high prices can be a detriment to your longer-term returns.

## Foolish takeaway

Warren Buffett was never a fan of gold — and for good reason. It's not a productive asset. It doesn't really produce anything.

And if you run the risk of overpaying to get into an asset, your seemingly prudent bet may turn out to be reckless if the market crash doesn't happen when you expect it to.

In these times of uncertainty, I'd pass on non-productive safe-haven assets and instead opt to go with dividend-paying securities that'll adequately compensate you for riding the market roller-coaster ride, with a sufficient amount of cash on the sidelines to buy more shares should the market roll over again.

### CATEGORY

1. Investing
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### TICKERS GLOBAL

1. NYSE:B (Barrick Mining)
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