This Stock Market Guru Warns: Sell Your Stocks Now!

Description

Jeremy Grantham is well known for his prophetic stock predictions. His advice has proven particularly valuable for Canadian investors.

Unfortunately, Grantham sees trouble ahead. Heeding his wisdom could save your portfolio.

Trust this guru

Consider Grantham's incredible call in early February of 2014. He predicted that investors in oil sands companies like **Canadian Natural Resources**, **Suncor Energy**, and **Imperial Oil** would ultimately lose *everything*.

"Tar sands will end up as a stranded asset in the next decade or two," Grantham cautioned.

At the time, few people paid attention to this warning. After all, oil prices were above US$110 per barrel. But five months later, crude oil prices were slashed in *half*. The stocks listed above were crushed.

But Grantham doesn't do month-by-month predictions. Grantham thinks long term. He didn't say those stocks would be punished that summer. He said they would be punished for *decades*.

It's been six years since his original oil call. Over that period, Canadian Natural has lost 45% of its value, Suncor has fallen 40%, and Imperial is down 55%. Meanwhile, the **S&P/TSX Composite Index** *gained* 6%.

Protect your portfolio

This time, Grantham isn't warned people about oil stocks. Instead, he's worried about the entire market.

Investing right now in over-inflated markets like the U.S. is “simply playing with fire,” Grantham told *CNBC* last week.

“I have been completely amazed,” he said. “It is a rally without precedent — the fastest in this time ever and the only one in the history books that takes place against a background of undeniable economic problems.”

“This is becoming the fourth real McCoy bubble of my career,” he concluded.

Grantham is putting his money where his mouth is. His firm, GMO Asset Management, is hedging its portfolio against another collapse.

“With a rapidity seldom matched in history, equities have gone from plausibly priced for very bad outcomes to more or less ignoring the possibility,” said Ben Inker, who runs asset allocation at GMO.

“As a result, we have taken advantage of the higher prices to significantly reduce the effective equity weight in our multi-asset portfolios, turning some of it into long/short trades where we maintain exposure to relatively cheap stocks but reduce the portfolio’s sensitivity to overall market direction,” Inker explained.

Buy stocks like this

GMO Asset Management made several moves to reduce its risk exposure. If you’re worried about another bear market, now is the time to follow suit.

Importantly, reducing your risk doesn’t mean selling all of your investments. There are some companies that can actually *gain* in value during the next recession.

Consider **Hydro One**. This is the definition of a bullet-proof stock. During the worst of the coronavirus correction, its share price barely budged. What’s the secret?

Hydro One is a regulated utility. It delivers electricity to customers in Ontario. Its power lines cover 98% of the province. Wherever the economy goes, electricity demand remains very stable. And because Hydro One is rate regulated, it’s almost *guaranteed* a certain profit margin from the government.

Warren Buffett once said his favourite stocks were like shooting fish in a barrel with all the water drained out. In short, he likes sure things. If you want to protect your portfolio, find stocks like Hydro One. Build your bear market buy list *now*.

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Date
2025/08/23
Date Created
2020/07/01
Author
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