Save Your Portfolio With These 3 Tips

Description

The speed at which we all got hit by the COVID-19 pandemic caught many of us by surprise. That said, the lessons we've learned from the tragedy of this lethal virus have been invaluable. In this article, I'm going to discuss three main lessons I've learned.

Secular trends don't stop

If anything, the secular investing trends we watched take off prior to the onset of the COVID-19 pandemic in North America have accelerated with the pandemic. One trend is the move away from movie theatres to in-home streaming services.

These new entertainment options have hit theatre giants like **Cineplex Inc.** harder than ever. Some trends have merely been amplified in effect, particularly as business shutdowns took effect.

Another notable investing trend Foolish investors ought to take note of is the rise of ESG investing. Further, there is a growing focus on core technology growth areas like cloud computing and artificial intelligence. Finally, there is an ongoing bricks and mortar retail shift to e-Commerce.

Taking losses is a winning strategy

There is one investing mantra that has more than held up during this global health pandemic. That mantra is to let one's winners run and take one's losses on those stocks that have underperformed.

Technology stocks have continued to take off. Canadian gems like **Shopify Inc.** reach new highs almost every week. Clearly, the momentum trade is alive and well.

Markets continue to be buoyed by central bank stimulus and an overly accommodative monetary policy which seems to have no expiry date. It appears this level of monetary and fiscal policy is here to stay. Markets are betting that asset prices will continue to inflate, even if the overall economy trades sideways for a period.

With tax season looming, investors may have been enticed to take losses now and let winners run — a strategy that has worked thus far. Avoiding sectors like energy that appear to be in trouble and doubling down on growth seems to be the direction the market is headed, thereby punishing contrarian investors.

Holding on for the ride is important

One of the best lessons each economic shock teaches us is to hold one's portfolio through the rough times. Looking back at the long-term stock chart for a few decades, one will notice that every recession is but a blip on the chart. Missing out on the markets "up" days is often far worse than skipping its down days. Staying invested continues to be the best way to grow one's wealth long term.

Avoiding the temptation to stay out of the market because of heightened volatility is a hard thing to do. Many investors ultimately make the mistake of buying back positions in stocks they sold near the bottom at higher prices. Ensuring this doesn't happen is of the utmost importance.

One way of doing this is to add defensive stocks to one's portfolio while waiting for a cyclical rebound. This will allow one to avoid volatility and sleep better at night.

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