Market Crash: Why You Shouldn’t Wait for the Next Sell-Off Before You Invest

Description

We’re probably nowhere close to being out of the woods yet with this pandemic, and that has many worried that another market crash could be looming. It could continue to take a toll on the world economy moving forward, but you’ve got to remember that the state of the economy today is *not* a projection for where the stock market is headed next.

The current state of the stock market is a better indicator of where the economy may be headed over the next year to 18 months. Given the unprecedented monetary and fiscal stimulus, the stock market sees the economy making a remarkable recovery in around a year or so from now. Even if the recovery ends up being slower than the market is pricing in, a market correction may be far milder, given the Fed has shown it’s willing to step in to prevent another market implosion.

Market crash: A friend in the Fed

The U.S. Federal Reserve looks like it’s not going to keep silent if we’re dealt with any more excessive sell-offs amid this horrific pandemic. Fed chair Jay Powell appears committed to doing everything to prevent a repeat of what happened back in February and March.

As of now, the Fed is committing not to hike interest rates or even think about thinking about raising rates over the next year. And with an arsenal of aggressive monetary tools that the Fed is willing to implement to avert the second coming of the Great Depression, investors who are waiting for another market crash before they buy could be waiting a very long time, possibly years. And as they wait with too much cash on the sidelines, inflation could stand to a big bite out of one’s purchasing power, as liquidity continues to be pumped into the economy.

That’s not to say that you should buy stocks hand over fist with little regard for valuation, though. There are pockets of overvaluation in this market, but there are also severely undervalued areas. It’s no different from any other market environment, really.

This is a stock picker's market

Amid these unprecedented uncertainties, stock pickers have the advantage over **TSX Index** investors, as they pick and choose their spots wisely, not only to maximize upside through this pandemic but to also manage the slate of risks it's brought forth.

The TSX Index on its own, as I'm sure you'd agree, can be a terrible investment. It doesn't provide proper sector diversification, given its overweighting to financials and energy — two sectors that have felt the full force of the COVID-19 impact. The index is also light on tech, which has been leading the rebound from the 2020 market crash.

Because of overweighting to COVID-hit sectors of the economy and an underweighting to COVID-resilient areas, it's not a mystery as to why the TSX Index has been lagging its peer indices in the United States. Fortunately, stock pickers can balance their COVID-19 barbell portfolio by weighting more of their wealth in COVID-resilient stocks like **Fortis** (TSX:FTS)(NYSE:FTS).

Fortis is a regulated utility that doesn't leave much in the way of surprises.

What you see is what you'll get from the name: a 3.5% yield that'll grow at a mid-single-digit rate every single year and a low correlation to the broader TSX Index. If this pandemic worsens, sparking another wave of shutdowns, the TSX Index will likely fall flat on its face again given its exposure to some of the hardest-hit areas of the economy and minimal exposure to COVID-resilient plays like Fortis, whose operations don't depend on the timely elimination of the coronavirus.

Foolish takeaway

Fortis is an unsexy play, but it is a great investment for reluctant investors who are worried about excessive market volatility. As a bond proxy, Fortis will outshine cash and bonds over the long run, and even today, with the market at seemingly "frothy" levels, FTS stock is pretty cheap. So, stop waiting for the next market crash and start scooping up the individual bargains that exist today.

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