Jim Cramer: Keep Cash to Buy Stocks

Description

Some analysts are saying that the stock market is rebounding, while others are warning of a second stock market crash around the corner. Ultimately, no one knows where the market is going to go in the next few months. That being said, it doesn't hurt to have a cash position ready in case the market discounts some top stocks to buy by October.

Jim Cramer says that stock market investors should be sitting on cash right now. "It allows you to sit back and look for discounts in the stocks you most like. Without a lot of cash, you'd be forced to sell something into weakness if you wanted to do any buying. If you borrowed money, your broker might be forcing you to sell at a loss."

Many stocks are still rebounding from March lows. The only question is if this uptrend will stick. Many countries are still suffering from COVID-19-induced economic blows.

With global gross domestic product down, some investors might become fearful in the next few months, setting off some selling activity. If that happens and you notice a dip in your Tax-Free Savings Account or Registered Retirement Savings Plan, don't freak out. Remember that investing is a long-term endeavour and understand that the market will rebound again.

Do you have enough cash?

If you don't have enough uninvested emergency cash right now to last you through the next six months, then you may want to consider what Jim Cramer has to say about holding cash.

It is never a good idea to go all in to the stock market with your savings. Your best bet would be to re-balance your savings profile in a healthy mix between cash savings, stocks, and Guaranteed Investment Certificates (GICs).

The next two weeks are a prime time to balance your savings between cash and stocks. It might also be a good time to consider whether you own enough stocks in your portfolio. If you are sitting on too much cash, then maybe you should start researching some top stocks to buy in October.

Canadian Tire stock

Canadian Tire (TSX:CTC.A) fell to a 52-week low of $67.15 in March after the market crash. At the time of writing, the retail stock is trading for $133.88 per share, below its 52-week high of $157.36.

Should you consider buying Canadian Tire stock?

In its second-quarter 2020 earnings report, Greg Hicks, president and CEO, applauded the company's performance: "With a significant percentage of our store network closed for much of the quarter, customers turned to our online platforms and we saw eCommerce sales surge across all banners by 400%. Our strong results in CTR clearly demonstrate the advantage of our Dealer model and our ability to quickly adapt to local market and customer needs."

Stock in Canadian Tire boasts a positive return on equity of 11.9% and levered free cash flow of $1.38 billion. At the current share price, the annual dividend yield is around 3.4% at the time of writing.

The retail stock suffered a decline in revenue particularly at SportChek, Mark's, and Helly Hansen banners. COVID-19-related store closures earlier in the year made the largest impact. A rise in e-commerce shopping mitigated some of the revenue decline.

Store reopenings later in the quarter helped the company rise above the effects of social-distancing trends.

Canadian Tire is a decent stock, but it still carries some risk. Before you make a purchase, compare your options to see if there are safer bets on the **Toronto Stock Exchange**. Also, don't forget to maintain a safe balance between cash savings and your stock market portfolio.

CATEGORY

1. Coronavirus
2. Dividend Stocks
3. Investing
4. Stocks for Beginners

TICKERS GLOBAL

1. TSX:CTC.A (Canadian Tire Corporation, Limited)

PARTNER-FEEDS

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

5. Sharewise
6. Yahoo CA

Category

1. Coronavirus
2. Dividend Stocks
3. Investing
4. Stocks for Beginners

Date
2025/09/03
Date Created
2020/09/16
Author
debraray