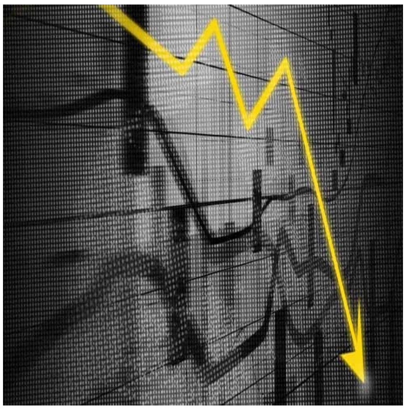

3 Moves to Make if the Stock Market Crashes in November

Description

It is not easy to be a patient and disciplined investor when the stock market is volatile. In fact, how you react to a stock market crash will go a long way in determining if you are able to accelerate or delay your retirement.

The bear market witnessed in early 2020 made investors very nervous as the pandemic decimated multiple sectors. The global lockdowns and business shutdowns brought the airline sector to a standstill. Companies in the retail, hospitality, and energy sectors were also badly hit. However, the rebound from March lows was equally surprising, although the recovery was primarily driven by technology stocks.

If there is one thing that previous market crashes have taught us, it is that investors should not try to time the stock market. It is better to have your portfolio prepared to withstand a tumultuous period before it actually happens.

Since the financial crisis of 2008-09, investors have witnessed a very low-interest-rate environment. The Federal banks all over the world further lending rates further to pump in billions of dollars into the economy and increase consumer spending.

This has significantly dampened investor returns from fixed income instruments such as bonds. In order to derive inflation-beating returns, public equities remain your best bet. Alternatively, the impressive stock market returns in the last decade has meant stocks are trading at a premium. Further, several expects believe the recent recovery in stock markets is not in sync with company fundamentals which suggests another crash might be on the horizon.

As I mentioned, it does not make sense to predict the exact timing of a market crash. But there are steps that you can take and be ready to benefit from one.

Have enough liquidity

The best way to play a market crash is by investing in quality stocks when the chips are down. You have the opportunity to buy blue-chip stocks at a low valuation and attractive dividend yields. So, it is good to have some dry powder or cash in hand, something Warren Buffett has done in 2020.

Berkshire Hathaway ended the June quarter with $146 billion in cash which means the Oracle of Omaha is expecting another correction in the stock market in the near future. However, the Buffett-owned company also went bottom fishing and bought over five million shares of **Suncor** in the second quarter of 2020.

Manage your risk

Another way to prepare for a market crash is by ensuring you only invest in companies with strong fundamentals and avoid speculative investments. In 2020, the top performing companies have been tech stocks such as **Shopify**, **Amazon** and **Netflix**.

However, these companies have been generating market beating returns for several years, which means they have a robust business model. You need to diversify your portfolio and pick companies with a strong economic moat, huge market presence and an investment-grade balance sheet. This also means investing in safe stocks that include utility companies such as **Fortis** and **Emera**.

Invest with a long-term horizon

While it is easy to panic during a market crash, you need to have a long-term focus when investing in equities. The power of compounding cannot be understated and investors need to be ready for any short-term turbulence.

Every market crash is followed by a bull market that increases investor wealth multifold and quality companies will recover their losses on a market rebound. In the long-term the stock market has gone in only one direction which means you should not be overly worried about sudden shocks.

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