



U.S. Election: Prepare for the Unexpected With This Asset

Description

The U.S. election is right around the corner, and many investors will be watching anxiously. The election is always a major event, as it has the potential to influence your investments for at least the next four years.

Often, some investors may try and predict the election results and buy corresponding stocks they think will do well with their predicted candidate's victory. However, as many people found out in 2016, it's harder to predict the election than it seems.

Because of this, investors shouldn't try and speculate and base their investments on these predictions. It's much better to take a wait-and-see approach. Sure, you may lose a couple of points buying the stocks after the election. However, it can save you from making a catastrophic mistake should the election turn out the opposite way.

It's crucial you always make your investment decisions for the right reasons.

Green energy stocks

You could buy a renewable energy stock because you think that they are great long-term investments. It's also a well-known fact that these stocks will likely do well if Joe Biden wins the U.S. election.

However, that shouldn't be a reason to buy these stocks today. It should only be a bonus if you do choose to buy these stocks ahead of the election.

Take **Algonquin Power and Utilities**, for example. The stock is a great investment, especially in this [uncertain environment](#).

Two-thirds of its business comes from its utility assets, which make Algonquin a top defensive stock. However, it also has a growing green energy segment that offers investors long-term growth potential.

These are the reasons to buy Algonquin. It will likely get a boost from a [Joe Biden](#) win. However, if

Donald Trump wins the U.S. election, it's unclear how these stocks will perform.

If you're buying it for the long term, though, and for its business prospects, the performance it has in the short term if Donald Trump wins should be meaningless.

In fact, long-term investors may welcome another price dip to gain more exposure to the top **TSX** stock at a discount. So, make sure if you are making any investments ahead of election day, you do it for the right reasons.

There is, however, one asset class you may want to increase your exposure to ahead of the election.

One asset you must hold before the U.S. election

It's crucial that no matter what stocks or bonds you own, you should have some cash on the sidelines. This is paramount for many reasons.

First off, whether the U.S. election is right around the corner or not, investors should always have at least a little cash. Cash gives investors flexibility.

Cash is an ideal asset to hold if you think there may be volatility in the market. This is because cash rises in value as stocks fall in value. Furthermore, you'll want to have cash ready for a market crash. Not only will it protect you from losing some of your capital, but you'll have cash ready to buy stocks at a discount.

It's most important that investors have a decent cash position today, ahead of the U.S. election, for a few reasons. Firstly, we don't know how the market will react to either candidate taking a victory. It's also crucial to see how things play out in the Senate.

You'll also want a bit of cash to quickly adjust your portfolio after the election results have been announced. It will soon be clear which industries and which stocks will have the momentum. So, you'll want to be prepared for that.

Bottom line

Having a decent cash position is always crucial in investing. However, this is especially paramount ahead of a major event such as the U.S. election.

One last thing to note is that while the election is on Tuesday night, because of the pandemic and so much mail-in voting, there is the potential that the results won't be announced until much later. This is crucial to keep in mind, and it may play a role in how equities react in the short term.

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