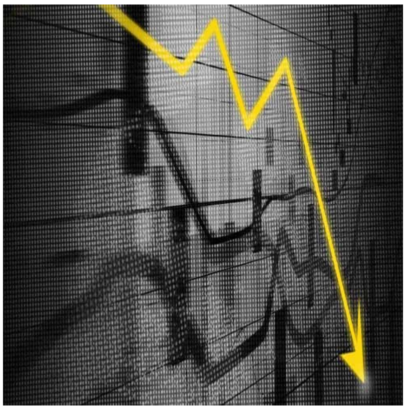

Market Crash 2.0: The 2nd Dip Is Coming

Description

The TSX is going down. It's not tumbling down as it did in August, but that's because the fear and sell-off frenzies haven't built enough momentum yet. The market is being pulled down by the weight of a poorly performing underlying economy that might shut down for a second time this year. It's difficult to predict what kind of dip we would see.

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The recovery hit its peak in late August. From there on, the S&P/TSX Composite Index has fallen over 6.5%. Though not every sector is not moving with the same "vigor." The energy sector has been going down since June, and the capped energy index is 31% lower than its June peak. Tech has also taken a sharp turn down, while the real estate is relatively very steady.

Since the crash is coming, even if it's not as uniformly distributed or as sharp as the last one, the chances are that many stocks would tumble down. This means that you should be looking at great companies that are about to become dirt cheap, or at least reasonably priced.

A tech company

The tech sector already hit a bump in September; now, it's also the sector that's seeing the sharpest fall. Even the aristocrats of the sector are having trouble. **Open Text** (TSX:OTEX)(NASDAQ:OTEX) stock is already trading at a price of 21% lower than its September peak. Open Text is a pretty decent growth stock and has increased its dividends for seven consecutive years.

Usually, it's a bit overpriced. And when that doesn't get you explosive growth or generous dividends, the valuation is usually not worth it. But if the stock keeps going down, it might become too attractive to ignore.

An industrial stock

IBI Group (TSX:IBG) is not falling yet. This Toronto-based, $203 million market-cap company showed amazing recovery in the last market crash. If it can replicate its previous recovery and explosive growth pattern, you can double your money in a matter of months. At its highest point in October, the company was trading at a price of almost 150% higher than its lowest point in March.

In the last 30 days, the stock has only dropped about 7.8% of its valuation. That's not enough to make it a buy yet, but it's a start. If you keep tracking that stock and buy at or near its lowest valuation, you can buy it for rapid, short-term gains. It might not be a good fit as a long-term holding.

IBI is a technology-driven design-firm that focuses on creating architectural designs for futuristic, sustainable structures and environments.

Foolish takeaway

If another market crash is coming, a lot of new stocks might become very attractively valued. And if you don't want to get bogged down by too many choices, you might want to start narrowing your list down now. Diversification is a good idea, but if you can find three great companies to invest in, there is no reason to dilute your stock to invest in three mediocre ones just for the sake of diversification.

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