



Worried About the Next Stock Market Crash? Here's Why I'd Still Buy the Best Stocks Today

Description

The past performance of equity markets suggests that it is only a matter of time before the next stock market crash takes place. After all, no bull market has ever lasted in perpetuity.

Furthermore, risks such as the coronavirus pandemic mean that the prospect of a market downturn is relatively high at the present time.

This may dissuade some investors from buying shares. However, the best stocks could offer good value for money and may have the capacity to survive a weak economic period. Therefore, they could be worth buying and holding for the long term.

An upcoming stock market crash?

The prospect of a stock market crash may currently be higher than it has been for a number of years. Risks such as political uncertainty in a number of the world's major economies and the ongoing coronavirus pandemic may weigh on company performance. This could lead to increased risk aversion among investors that negatively impacts on stock prices.

However, a market downturn is not guaranteed to take place over the coming months. News regarding the economy and its outlook could be more positive than expected. Therefore, even though a market decline is very likely to take place over the long run, the stock market could deliver impressive returns for investors between now and then. Investors who avoid shares could miss out on gains, while receiving low returns from other assets such as cash and bonds.

Buying the best stocks today

Moreover, the best stocks are likely to survive a period of weak economic performance that prompts a stock market crash. For example, businesses that have solid balance sheets are relatively likely to have the financial means to cope with a period of slower sales growth. Equally, companies that have a

competitive advantage over their peers may be less impacted by slowing consumer demand. This may enable them to maximise their market prospects for the long term.

Of course, identifying the best stocks is highly subjective. But they often have common traits, such as an adaptable business model that can provide flexibility in a rapidly-changing economic environment. They are also likely to have a solid track record of outperformance of their peers in a variety of market conditions.

Low valuations

Buying shares today while there is a heightened risk of a stock market crash could be a sound long-term move due to their low valuations. Indexes such as the FTSE 100 have yet to recover from the 2020 market decline. Many companies are trading at prices that are significantly below their average values. This suggests that investors are at least partially factoring in a period of weaker economic performance.

Therefore, building a diverse portfolio of stocks could be a shrewd move. It may experience high volatility in the short run, but has the potential to make solid gains in the long run.

CATEGORY

1. Investing

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Yahoo CA

Category

1. Investing

Date

2025/08/26

Date Created

2020/11/06

Author

peterstephens

default watermark