



## 3 Reasons Why I'd Invest Money in Blue-Chip Shares at Today's Prices

### Description

Investing money in blue-chip shares after the stock market crash could be a profitable long-term move. In some cases, high-quality businesses are currently trading at prices that do not fully reflect their long-term growth potential.

Furthermore, the stock market has a long track record of recovery from downturns. Therefore, even if there is another market crash, the prospects for equities over the coming years could prove to be positive.

Meanwhile, a lack of return potential elsewhere may mean that stocks outperform other assets. This could make now the right time to build a diverse portfolio of shares.

### Undervalued blue-chip shares

Many blue-chip shares currently face uncertain operating conditions that may persist for a number of months. However, in many cases those risks appear to have been priced in by investors. A wide range of stocks currently trade at prices that are significantly below their long-term averages. In some cases, today's valuations have not been seen since the last bear market during the global financial crisis over a decade ago.

Buying undervalued shares can prove to be a sound move. It allows an investor to access a high-quality business at a low price that can provide scope for greater capital returns over the coming years. Certainly, cheap shares can become even less expensive in the short run. However, their long-term prospects may be much more positive than current valuations suggest.

### Recovery potential after a stock market crash

Another reason to invest in blue-chip shares is their long-term recovery prospects. The stock market has experienced numerous corrections, bear markets and downturns in its long history. While they have been painful in the short term for many investors, indexes such as the S&P 500 and FTSE 100

have always recovered to post fresh highs in the following years.

At the present time, a stock market recovery may seem somewhat unlikely. Risks such as a weak economic outlook and coronavirus mean that investor sentiment may deteriorate in the short run. However, the stock market's track record suggests that growth from its current level via a sustained bull market is likely to take place in the coming years.

## Relative appeal of stocks

Blue-chip shares may face an uncertain near-term outlook. However, their long-term return prospects appear to be far more attractive than those of other mainstream assets.

For example, low interest rates mean that cash and bonds offer return prospects that are potentially lower than inflation. This could hurt an individual's spending power over the long run. Meanwhile, high house prices and gold's rise in 2020 may mean that there is better value for money in the stock market.

Through buying a diverse portfolio of blue-chip shares, an investor could profit from low prices and a likely long-term recovery. Therefore, now could be the right time to buy stocks, rather than other assets.

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### Date

2025/08/18

### Date Created

2020/11/27

### Author

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