



Market Crash: This Expert Thinks You Should Take Cover Now

Description

A market crash could be on the way, and one expert thinks the time to prepare is now.

“Jeremy Grantham has made a science of studying asset bubbles, correctly predicting the path of the Japanese, dot-com and housing overvaluations,” [reported](#) *Advisor Perspectives*. “Today’s bubble in U.S. equities is unlike any other, he says, but it will burst in months, if not weeks.”

Is it time to take cover? If so, what must you do to prepare?

The market never sees a crash coming

When markets are rising, no one likes a naysayer. Long known as a perma-bear, Grantham has correctly predict several sizable asset crashes. But that doesn’t mean people are listening this time.

To be fair, it’s incredibly difficult to buck market sentiment, especially during periods of euphoria.

“They’re leaping around with great energy, comparing notes,” Grantham said, describing money managers during an upswing. “They simply can’t stand that one or two of their rivals are playing the game and making a lot of money and making them look bad.”

In Grantham’s case, there’s a reason why people ignore his calls for an impending crash: he’s often years too early. As early as 2018, for example, he began warning others about frothy valuations. Nearly three years later, stocks are setting record highs.

To be fair, Grantham concedes that asset price usually swell dramatically even after a bubble is identified.

“The market, instead of going down, not only goes up, but goes up at a faster rate than normal,” he explained. “You’re going to feel dreadful.”

If timing is always uncertain, how do we know when the next crash will occur?

Here's what to look for

Do you want to know when the next crash is coming? Watch for stories, not just valuations.

"The stories are more important than the price," Grantham stressed. "Be prepared for the fact that the market can break your heart on the upside."

Consider **Royal Bank of Canada** ([TSX:RY](#))([NYSE:RY](#)). Banks are leveraged bets on the economy. RBC is large enough to have exposure across every segment of Canada, plus some international coverage.

With stock markets roaring, you'd expect leveraged bets to rise even faster. That's not the case. RBC stock is up just 1% this year, lagging the market overall. If a crash is on the way, bank stocks will be the first to be hit, and it seems like the market is valuing shares with that risk in mind.

Of course, some stocks can still *rise*, even if a downturn strikes. **Shopify** ([TSX:SHOP](#))([NYSE:SHOP](#)) is a prime example.

This year, Shopify stock is up 177%. Shares even outperformed during the dramatic crash when the pandemic first set in.

"The traditional retail model is dying. It'll take years for this story to play out," I recently [explained](#). "Meanwhile, e-commerce sales still represent a small fraction of total consumer spending. It may be hard to believe, but this \$100 billion company could triple in size several times over the next decade."

When the next market crash arrives, you'll want to own stocks like this.

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Author

rvanzo

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