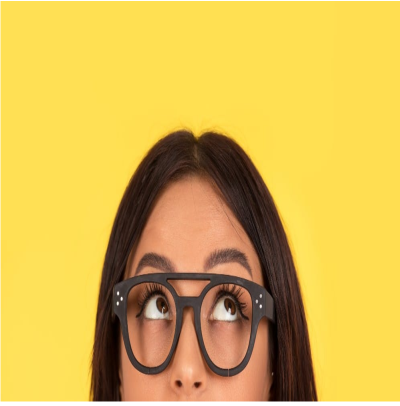

Don’t Panic During a Market Pullback: Do This Instead!

Description

In the last few trading sessions, equity markets have experienced a decline, primarily due to rising interest rates of the 10-year Treasury bonds as well as fears of inflation. Financial experts have regularly claimed that the stock market is not in sync with the economy. The global GDP rates have fallen at an alarming rate due to COVID-19, while equities were trading near record highs in 2020.

Several technology stocks were trading at sky-high valuations and are now under the pump, as the markets are experiencing a pullback. However, investors should not sweat about the recent volatility, as a market correction or even a market crash is an uncomfortable truth that cannot be denied.

The global economy is expected to recover from the ongoing recession and equities should remain a top bet for long-term investors. Here, we look at three ways to play a market in decline.

Keep some perspective

As long as people need to buy goods and services, public companies are poised to continue to grow and generate profits. While it does not mean a big external event won’t cause the market to go down in the near term, equities have always made a strong comeback to touch record highs time and again.

Have an emergency fund in place

Investors need to ensure they have an emergency fund that is equivalent to three to six months of expenses in order to cover a short-term emergency. Having a nest egg or even an emergency fund will insulate you in case of near-term cash needs. It will also help you keep a cool head when the market is trading in the red.

Focus on dollar-cost averaging

Investors should ensure that they keep investing, despite ongoing volatility in equity markets. If you have an emergency fund in place, you need to stick to your investment plan and also take advantage of the opportunity to buy quality stocks at a lower valuation.

It is impossible to time the market and you should look to diversify your portfolio by adding index funds, ETFs, and blue-chip stocks, as per your risk tolerance, at regular intervals.

Fortis is the ultimate blue-chip stock

Another way to shield yourself from market volatility is by buying recession-proof stocks such as **Fortis** (TSX:FTS)(NYSE:FTS). The utility giant is one of Canada's largest companies. Due to its ability to generate a steady stream of cash flows across business cycles, Fortis has managed to increase dividends for 48 consecutive years.

Shares of Fortis are currently trading at $50.2, indicating a forward dividend yield of a tasty 4.02%. So, if you invest $10,000 in this stock, you can generate $402 in annual dividends. Long-term investors can also benefit from capital gains. In the last five years, Fortis stock has returned 25%.

Bay Street analysts tracking FTS stock have a 12-month average target price of $58.46, which is 16.4% higher than its current trading price. After accounting for its dividend yield, annual returns might sail over 20%.

CATEGORY

1. Dividend Stocks
2. Investing

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