



## A Beginner's Guide to a Market Correction

### Description

The **S&P/TSX Composite Index** was up 151 points in late-afternoon trading on March 11. North American stocks were hit by volatility in late February and early March. The passing of the U.S. stimulus package has allowed markets to recapture momentum as winter winds to a close. Still, markets look broadly overheated at this stage. Today, I want to look at some tips for [how investors should behave in a market correction](#). Let's dive in.

### Market correction tip #1: Be greedy when others are fearful

Warren Buffett once said that investors should "be greedy when others are fearful." That has been especially good advice since the 2007-2008 financial crisis. The Buffett Indicator, which measures total market cap against a given country's GDP, has hovered around all-time highs in 2021. Buying the dips is a strategy that has made fortunes. We do not have to look far back at how these rewards can manifest.

**Shopify** ([TSX:SHOP](#))([NYSE:SHOP](#)) is an Ottawa-based e-commerce company that offers a cutting-edge platform for business owners. The growth of e-commerce has accelerated due to the COVID-19 pandemic. This has fueled Shopify's earnings growth over the past year. Moreover, it has led to another banner year for its stock. Investors who'd bought Shopify during the market correction should be patting themselves on the back.

Shares of Shopify fell below the \$500 mark during the March 2020 market correction. Shopify stock closed at \$1,431.53 on March 11. It hit an all-time high of \$1,900 in the first half of February.

### Market correction tip #2: Stash defensive stocks

Investors should look for opportunities during a market correction, but they may also want to play defence. Stashing defensive stocks is one way to cushion your portfolio during turbulent periods. This can be an especially prudent strategy for retirees or those nearing retirement. Gains are all well and good, but you may be more interested in [wealth preservation](#).

**Metro** ([TSX:MRU](#)) is a top grocery retailer based in Montreal. This industry proved robust during the COVID-19 pandemic, as it was labelled as an essential service. Shares of Metro have climbed 9.5% year over year at the time of this writing. However, the stock has dropped 4.3% in 2021 in the face of this red-hot bull market.

This defensive stock last had a favourable price-to-earnings ratio of 17. Moreover, it offers a quarterly dividend of \$0.25 per share. That represents a modest 1.8% yield. This is a solid stock to stash for those worried about a market correction.

## Market correction tip #3: Watch for developing trends

A market correction can be a reaction to changes or it can trigger change. The pullback in March 2020 was a reaction to the worsening COVID-19 pandemic across the developed world. Enterprises across Canada shuttered their doors in response to the alarming growth of the virus in the population. This also meant that some healthcare companies were well positioned to see a boost in activity during the crisis.

**WELL Health** and **VieMed Healthcare** are [two prime examples](#). VieMed provides in-home durable medical equipment that services clients with respiratory illnesses. It offered its services to the private and public space during the pandemic as it supplies ventilators. The company has stated that the pandemic will continue to have a positive impact on its revenues in Q1 2021. WELL Health has seen record results due to increased use of telehealth services during the pandemic. It recently gained greater access to the lucrative U.S. health care market with its acquisition of **CRH Medical**.

Both stocks proved to be great buys during the previous market correction. Investors need to watch for emergent trends during crises.

### CATEGORY

1. Investing

### TICKERS GLOBAL

1. NYSE:SHOP (Shopify Inc.)
2. TSX:MRU (Metro Inc.)
3. TSX:SHOP (Shopify Inc.)

### PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred

5. Quote Media
6. Sharewise
7. Yahoo CA

**Category**

1. Investing

**Date**

2025/09/01

**Date Created**

2021/03/14

**Author**

aocallaghan

default watermark

default watermark