Don’t Panic if the Market Takes a Dip: Do This Instead

Description

The market rarely stays steady. Sometimes, it rapidly grows, sometimes it’s slow, and there are plenty of dips along the way. Some investors, especially those who prefer fixed-income investments, consider this relatively predictable volatility of the stock market a liability. But that’s actually the beauty of the stock market. A stagnant and consistent market, while rife with risks, allows you to grow your investments at a powerful pace.

The dips are beneficial as well under the right circumstances. They are an integral part of the stock investment, and there are plenty of things you can do to turn market dips to your advantage. But two time-tested and proven strategies are buying good long-term stocks for cheap during the dip and buying stable stocks that have the potential to recover sooner than the broader market.

A good stock at a discounted price

The 2020 market crash made several stocks very attractively priced for several months. If you missed your window of buying then, a market dip might give you another shot. One such stock is **Pembina Pipeline** (TSX:PPL)(NYSE:PBA). It fell over 56% during the crash. And even though it hasn’t even come near its pre-pandemic valuation, it’s not undervalued right now; it’s only discounted, as it’s still trading at a price that’s 28% down from its pre-pandemic peak.

Another dip might send the price tumbling down to even more desirable levels, and you might get to lock in an even higher yield. Even now, when it has partially recovered, the stock is offering a mouthwatering 7.9% yield. The payout ratio of 155% is quite high, but considering the payout ratio history, the company is unlikely to slash its dividends.

The energy sector is recovering right now, but just as pipeline companies are sheltered compared to oil producers when the sector dips, they also experience a relatively slow recovery.

A stable stock

Alimentation Couche-Tard (TSX:ATD.B) has grown its dividends for more than 11 consecutive years, but dividends are not what this aristocrat is ideal for (if you consider its 0.91% yield). The stock is a good pick for long-term growth and stability. After the 2020 crash, the stock took fewer than six months to recover to its pre-pandemic levels entirely. Its long-term growth can be gauged by its 10-year CAGR of 26.3%.

One of the reasons this stock is so stable is the nature of its business. ATD is one of the most extensive convenience store chains in the country and has over 14,200 stores in multiple countries under three banners. This global presence, especially if it's integrated with a solid online front and a robust e-commerce business model, can help the company keep growing for a very long time.

Foolish takeaway

Market dips can be especially problematic if your primary mode of investment income is selling stocks. Because if that's the case, a market dip will hurt you in two ways: you might sell at a loss, or you'd have to trade away a more significant portion of your stake to get the same income you used to before the dip. So, it might be a good idea to add some dividend stocks to the mix as well.

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Author
adamothman