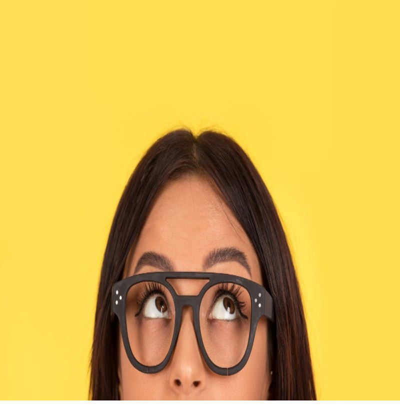

Beginners: Don’t Wait for a Selloff. Make This Smart Investing Move Instead

Description

The appetite for speculation has really picked up over the past several months, making it tough on beginners looking to enter the markets. There’s a speculative frenzy in Bitcoin, meme stocks, SPACs (Special Purpose Acquisition Vehicles), EV stocks, IPOs, NFTs (Non-Fungible Tokens), and all the sort. Indeed, the environment rhymes with that of the late 1990s, when rampant speculation became a hobby through the eyes of many inexperienced newcomers lured by the hopes of striking it rich over the near term.

Although this market seems like it’s going to fall off another cliff, as it did 22 years ago, I’d argue that although this market rhymes with the late 1990s, we’re not due for a repeat.

Valuations are undoubtedly on the higher end of the spectrum. Still, higher multiples are completely warranted for your average stock, given how low rates and the longer-term trajectory of U.S. bond yields. Inflation jitters caused a spike in the U.S. 10-year yield, but I think the longer-term trend (downtrending bond yields) is still intact, even though the near-term picture suggests a reversal of the trend.

Beginners beware: Bond market jitters could persist through Q2 2021

While I wouldn’t take it as far as ignoring the bond market, I would discourage investors from finding the need to react after the fact in a moment of panic. Nobody made a dime by panicking. And if your portfolio is already sufficiently diversified, I’d argue that the best course of action would be to sit on your hands or to use any excess cash to swing at opportunities pitched in your strike zone, regardless of where you think the bond or stock markets are headed next.

Growth stocks took a major blow in the first quarter. And while there are still danger zones of severe overvaluation in this market, I ultimately believe that the correction of such frothy pockets will mostly be contained. Sure, a Bitcoin bust or EV stock plunge could send shockwaves through the rest of the market, but I don't suspect the names that don't deserve to get hit will be kept lower for very long.

Beginners: Here's the smartest move you could make in a stock picker's market

It's a stock picker's market right now. And if you can pick your spots carefully, I think you can put the broader indices to shame over the next decade, even if prospective returns are destined to be more modest.

The best advice I could give any Canadian beginner investors is to not attempt to time this market by waiting on the sidelines, waiting for the markets to crash before putting any excess capital to work. If you've got cash that you don't plan on touching for the next 10, 20 or even 30 years, now is as good a time as any to put it to work on the bargains that you do see today despite any bearish headlines.

Many gurus and pundits have been calling for a painful correction for many months on end. Sooner or later, they'll be right, but as someone once said, even a broken clock can be right at some point in the day.

If you, like many other investors, are rattled by the uptick in volatility, I don't want you to increase your risk tolerance artificially. Investing is a game that's won over the long haul, and the last thing I want is for you to spook yourself out of the markets for good.

Dipping a toe into the rough waters

So, if you're a reluctant investor, dip a toe in, and then a foot before you're comfortable making a big dive. All it takes is a bond proxy like **Fortis** to get started. Fortis is one of my favourite beginner stocks because it's a lower-beta, less-volatile play that doesn't offer much in the way of surprises — perfect for beginners.

The stock market has way too many surprises up its sleeves, and Fortis is a great sleeper stock for newbies to sleep well at night. Following the stock's latest pullback, I'd look to nibble your way into a position rather than letting your savings accumulate and act as a sitting duck ahead of what could be an inflation spike.

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