



Portfolio Diversification: 2 Momentum Stocks to Buy in April

Description

The stock market is a zero-sum game where one person's loss is another person's profit. While some make windfall gains, some make windfall losses. It could be beginner's luck or curse if you made windfall gains or losses on your first bet. But the right way to make money is to understand the nature of the stock, its purpose, and how you can leverage its movement to meet your investment objectives.

You can't expect chilly to add a sweet taste to your dish. The way you choose ingredients for your dish the same way you choose stocks for your portfolio.

The recipe of portfolio diversification

There are various types of stocks, and each has its purpose:

- Dividend stocks are for those seeking regular income or looking to balance high risk with stable returns.
- Growth stocks are for those looking to outperform the market in the long term while taking a calculated risk.
- Momentum stocks are for those looking to make good money in a short period while taking a high risk. This is where you can make windfall gains and losses.

The recipe for a well-diversified portfolio is a good mix of all three. Momentum stocks are like red chilly, you only add half a tea-spoon and not half a tablespoon, or you will burn your tongue. Here I bring to you two momentum stocks that can add some spice to your portfolio returns.

Air Canada stock

The pandemic turbulence converted **Air Canada** ([TSX:AC](#)) into a momentum stock riding on market sentiment and not fundamentals. The technical indicators show the stock is range-bound. It is currently in the \$24-\$31 range. The trick is to buy the dip of \$24 and sell the rally of \$31. As it trades in high volumes, it won't be difficult to buy or sell the stock. But you will only get your desired price when you

swim against the current.

Buy when others are selling (to get a good discount) and sell when others are buying (to get a good premium). Never chase the upside because the stock can fall at any time.

The only way to make money in AC is to plan your exit strategy beforehand, or you will get swayed by market sentiments. For instance, the stock is trading at \$25.8, which means it has an upside potential of 20%. Look at the transaction cost and only then make a trade. Many active traders lose on high transaction cost.

Hive stock

The Bitcoin frenzy has woken up the sleeping dragon **Hive Blockchain Technologies** ([TSXV:HIVE](#)). The crypto mining company is mining Bitcoin and Ethereum since 2010. It is one of the key beneficiaries of the BTC rally and also the victim of [the crypto bubble burst](#). During the 2017-2018 crypto frenzy, Hive stock rose 2,670% between May 19 and November 3, 2017, and then dipped 84% by June 29, 2018.

People who chased the highs in October and November 2017 suffered windfall losses, and those who jumped early in the rally benefitted from windfall gains. In the recent crypto wave, Hive stock surged 1,207% between November 2020 and February 2021. It has dipped 42% from its February high, creating a good opportunity to buy the dip.

But invest with caution as the stock is rallying on the popularity of BTC. You never can tell when this popularity will fade. A competitive digital currency like Dogecoin can steal the spotlight. Regulators can clamp down on the crypto-mania. At present, the taxman is [eyeing](#) the crypto gains of the wealthy.

Smart investing tip

Don't invest more than 1% of your portfolio in momentum stocks. As there are no fundamentals attached to the stock price, your chances of making money are as good as losing your money. People don't become rich by winning a lottery but they become rich by investing smartly.

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1. TSX:AC (Air Canada)
2. TSXV:HIVE (Hive Blockchain Technologies)

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