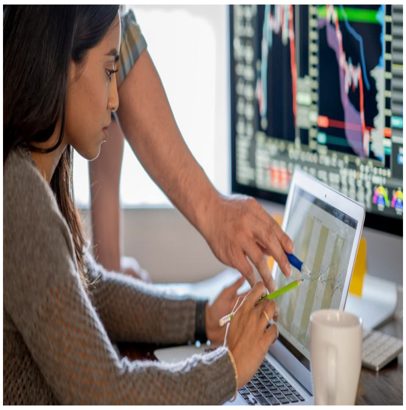

Caution: 3 Tips for Today's Stock Investing

Description

Many investors probably forgot the feeling of a market crash. Just roughly a year ago, in merely four weeks, the Canadian stock market declined by approximately 35%.

It was a flash crash but also a flash recovery. In only three months, most of the losses were recovered. After that, another six months elapsed before the market ascended to its pre-pandemic high.

Since then, the stock market has climbed another 12% or so. Money printing, relief programs, businesses adjusting to the new normal, and low interest rates are factors aiding the boost in stock prices.

If you're investing in the stock market today, it's all the more essential to tread carefully. Here are three tips to aid you on your stock investing quest for success!

Avoid speculating

If chasing after expensive stocks like **Gamestop** and **AMC Entertainment** or buying stocks with poor balance sheets like **Air Canada** and **Cineplex** are not gambling, I don't know what is.

Sure, you can make money from being lucky, but there's no doubt that they're speculative investments. Gamestop and AMC Entertainment are trading at stratospheric valuations. Shareholders of Air Canada and Cineplex are relying on economic reopenings in those industries and that consumers haven't shifted their lifestyles away from them.

In any case, these stocks are nowhere near what would be categorized as quality stocks.

Invest for growth

If you like Air Canada, **Cargojet** (TSX:CJT) could be a better investment. Cargojet's balance sheet is in good standing. And there's surer demand in shipping volumes than passenger volumes post-pandemic.

As a time-sensitive overnight air cargo services provider with a monopoly in Canada, Cargojet has enjoyed rising revenues through the pandemic. A big part of normal shipping of flowers, food, computer, and automobile parts have turned into personal protective equipment and medical supplies during the pandemic.

Revenues are likely to continue rising post-pandemic, as consumers have shifted their spending habits from brick-and-mortar to online retail. Cargojet's growth is reflected in the growth stock's price, which is 50% higher from pre-pandemic levels, even after a 27% correction in the stock. Analysts believe the pullback positions the stock for the potential of approximately 44% upside over the next 12 months!

Hold cash and generate cash flow

Cash is king in bear markets. Plus, you can put cash to work in a volatile market as quality stocks dip. Therefore, it's super helpful to hold some cash or short-term investments that can quickly turn into cash, even though they provide little return. Cash allows you to buy stocks on the cheap when there's a selloff.

Also, invest a meaningful portion of your diversified stock portfolio for juicy dividends. This way, you'll have cash flow coming in, which can be invested in quality stocks at attractive valuations when they become available.

If you can't find anything trading at a big enough margin of safety or you have already invested enough capital into attractive ideas, then it makes sense to hold cash. It's normal to have a cash position of 5-30% depending on how comfortable you are in the current macro environment.

CATEGORY

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