TSX Today: 3 Things You Can Do in This All-Time High Market

Description

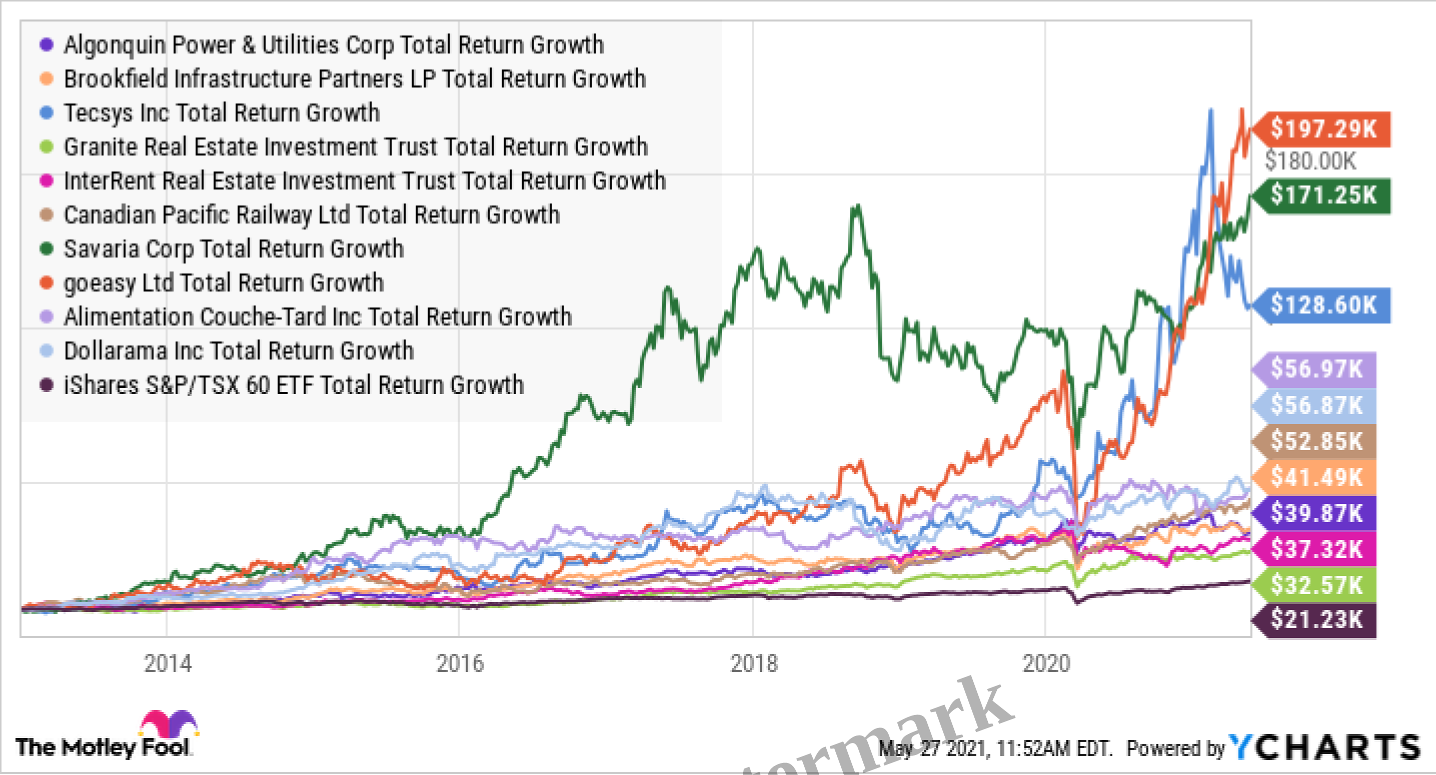
The Canadian stock market has rallied to new heights this week. You might feel you need to get in on that action, but really you don't have to do anything. The simplest thing to do is to do nothing and continue your long-term stock investing strategy. A big part of this strategy would logically involve holding.

Do nothing after buying quality stocks

Indeed, the best returns are achieved from holding quality businesses for a long time. Think of businesses that persistently grow their top and bottom lines.

You might have these stocks in your portfolio that are diversified across utilities, real estate, technology, industrials, financial services, and the consumer defensive sectors: **Algonquin**, **Brookfield Infrastructure**, **Tecsys**, **Granite REIT**, **InterRent REIT**, **Canadian Pacific**, **Savaria**, **goeasy**, **Alimentation Couche-Tard**, and **Dollarama**.

They have outperformed the **TSX** in the long run as shown in the chart below. The best investment in the group was goeasy, which turned an initial $10,000 investment from the start of the period into over $197,000.



Total Return Level data by YCharts.

Buying at good valuations

In an all-time high stock market, such as the one we're in, it becomes more difficult to find stocks trading at good valuations, but if you dig around, you will find them. You'll need to figure out your margin of safety requirement.

Value investors might seek a margin of safety from 10-50% depending on the type of market we're in, the stock in consideration, and how much cash they have on hand.

Some investors are willing to pay a fair price for super high-quality stocks. As Warren Buffett stated, "It's far better to buy a wonderful company at a fair price than a fair company at a wonderful price."

You might put a priority on stocks that deliver highly stable earnings or cash flow and persistently increase their dividends. If so, consider buying Brookfield Infrastructure for a 3.8% initial yield even though it's only fairly valued today.

Others might put a priority on the growth rate of a business and prefer to pay a fair price for goeasy, which is anticipated to grow its earnings per share at a double-digit rate in the foreseeable future. Analysts actually think the stock is modestly undervalued by about 17% at the recent quotation of approximately $146 per share.

Collect dividend income

Personally, I like tallying up the dividends I receive every month. Doing this helps me stick to the long-term plan for my dividend stocks. It also helps me take notice when a dividend stock in my portfolio goes on sale.

Since I have been keeping track of my holdings (at least on a quarterly basis), I'm able to take action immediately when a market correction occurs, rather than having to figure out if a correction in a stock is a buying opportunity or a value trap.

The Foolish takeaway

You don't have to do something all the time to generate good long-term stock returns. For example, if you bought stocks hand over fist during the pandemic market crash last year, you would be sitting on some hefty gains and feel that there are very few opportunities available in comparison.

Therefore, you shouldn't feel forced to put new money into the market today if you can't find ideas that are good enough, especially if your cash position is small.

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