



Worried About a Market Correction in 2021? Here's Why You Shouldn't Be

Description

So far in 2021, there are a few reasons investors may be worried, as there are several catalysts that look like they could cause a market correction. These pullbacks are unavoidable every now and then. And although the idea of a market correction is something most investors don't want to see, in hindsight, they are always the best buying opportunities.

It's understandable that the common first reaction when seeing a stock tanking is to panic. However, if you are prepared for a market correction and know what to do when it materializes, you'll soon be over that initial fear and actually welcome the opportunity.

When the pandemic hit, not only was it a significant and rapid [market crash](#), but it was also a largely unprecedented event that caused the selloff.

Looking back now, though, it's clear that those investors who'd bought the best stocks got an incredible deal and can now own those stocks for the [long term](#).

Investing is a long-term journey that will always be filled with unavoidable ups and downs. So, although these can look like bumps in the road, they are actually the best opportunities to improve your portfolio.

If you're worried about a market correction in 2021, here's what to do.

How to prepare for a market correction in 2021

The first thing you want to do if you're worried about a market correction in 2021 is to ensure that you have a strong portfolio and an adequate amount of cash.

Market corrections can be troublesome and cause issues for some investors. But they are also great opportunities to buy high-quality stocks at dirt-cheap prices.

So, having a strong portfolio will help you weather the storm well. And having a decent amount of cash will allow you to add new stocks to your portfolio or average down the cost of your existing investments.

A top Canadian stock to buy in a market correction

One top stock I'd look to buy if a market correction materialized in 2021 is **goeasy** ([TSX:GSY](#)). goeasy is a financial company that's been one of the top [growth stocks](#) in Canada over the last few years.

Since the market correction last year, though, it's been one of the top performers, up more than 300% over the last 14 months.

Because [goeasy](#) was a top growth stock before the pandemic, investors who took advantage of and bought during the selloff have already seen huge gains.

So, if there was another market correction in 2021, goeasy is certainly a stock I'd be watching closely.

Stocks to steer clear of

Of course, all stocks are going to decline in a market pullback. That's the nature of a correction. However, when this happens to the high-quality companies that you're holding for decades, it's no big deal. If anything, it gives you the chance to buy more.

If a pullback like this happens to a stock you are speculating on, hoping for a quick short-term gain, you could lose a lot of money. So, although you should never really own stocks for speculative reasons, if you're concerned there may be a market correction materializing in 2021, I'd definitely steer clear of these.

Speculative stocks are poor to own in a market pullback, because, for one, they are usually overpriced and usually a lot more volatile than the broader market.

Secondly, if the company has no real fundamentals to fall back on, it could suffer a massive loss. Plus, investors across the market will be busy buying quality stocks, especially at valuable prices.

So, not only will these stocks have some of the worst impacts, but they'll also be some of the last to recover.

Bottom line

Market pullbacks are natural, and everyone will experience many of them over the years. Whether a market correction materializes in 2021, though, is anyone's best guess.

Since you never know when they can materialize, the key is that you're always prepared for them and know how to react. Market corrections have the potential to be both a major disruptor or major boost to the growth of your portfolio. It all depends on how well you've prepared and how well you react.

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Date

2025/08/07

Date Created

2021/06/18

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