Stop Waiting for a Market Correction: There Are Still Plenty of Bargains on the TSX!

Description

This market almost seems unstoppable, with the **TSX Index** and **S&P 500** trending higher just days after the bears came out, highlighting the likelihood that the 2% pullback was the start of something far more sinister. Undoubtedly, the much-awaited market correction never materialized, and if you didn't buy the dip, you missed out on a nice gain to start the week, with markets right back at all-time highs. Undoubtedly, there's a lot of liquidity in the system and many buyers, with much cash on hand, are ready and willing to put money to work on any pullback.

Indeed, it's been a while since we've had a market correction. Heck, can you even remember when we had a 5% pullback? It's the main topic of discussion in the mainstream financial media these days: we're long overdue for a correction; don't buy the dip; and it'll end in tears.

Don't pay too much merit to those bold correction calls!

I've encouraged investors to take such bold calls with a fine grain of salt, urging investors to buy as opportunities presented themselves, regardless of what the bears tout. After all, the bears calling for a correction probably won't be held accountable if the markets run another 10-20% from these levels. That's why it's a good idea to hedge your bets, so you're balancing both the downside risks and upside risks (the risk of missing out on the market's next leg higher).

As a self-guided investor, your ultimate goal should not be to achieve some arbitrary return in any given year. Rather, you should look to outpace the benchmark you're matching up against. That way, you'll pay more emphasis on security selection and unlocking value in any market environment, whether prospective returns are higher or lower.

Don't wait for a correction: Aim to outpace the TSX Index instead

In this piece, we'll have a look at two value stocks that I believe can help your portfolio outpace the broader markets going into the year's end. At this juncture, people still seem more than willing to pay up hefty multiples for growth. While many growthy companies are capable of growing into such high price-to-revenue multiples, I'd argue that the easy money has already been made, and that investors should look to less-loved areas of the market in case the tides turn against high-multiple stocks, as they did in the first half of 2021.

It's not a mystery that I prefer value over growth at this juncture. While I'm not against holding onto your favourite high-growth names, I think that investors should bring their portfolios back into balance if their hyper-growth holdings have rallied in a way such that their portfolio is overexposed to a single sector, most notably tech.

Bringing one's portfolio back into balance

So, if **Shopify** went from 5% of your portfolio to over 20%, it can't hurt to take a bit of profit off the table. Indeed, it's tough to trim a winner, and it's tempting to let it ride. If you're reluctant to trim such a name, it may make sense to be a buyer of dirt-cheap value stocks to weigh down the value part of your portfolio, which may have shrunk considerably over the past two years.

Think boring, neglected names like **Restaurant Brands International** as an example of a value holding that can bring your portfolio back into balance. That way, you won't be caught skating offside if rates soar and growth stocks lead the market's next charge lower.

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joefrenette