



## Bear Market Coming: 2 Things You Can Do!

### Description

Over the weekend, I came across an old article written in December 2017. At that time, there was noise about a bear market coming, as the market had a nice run. The pundit had an opposed opinion. He wrote that there wouldn't be a crazy market downturn, unless there was an extraordinary market rally.

He also added another indicator. In a late bull cycle, experienced investors would increase their positions in regulated utilities, making them rise even more.

He believed that these quality utilities are the kind of stocks that are never wrong to buy ... only sometimes one might overpay for them. However, if you sit on the shares, eventually, the stocks will prevail, as the utilities maintain profits, grow steadily, and pay stable dividends through economic cycles.

Reading this article felt like a déjà vu moment. The pundit described the exact situation that I feel is happening right now!

### Late bull cycle: Bear market coming?!

In the last 12 months, the Canadian stock market appreciated about 23%. A year ago, the stock market had already mostly recovered from the pandemic market crash, so the 23% gain is extraordinary given that the long-term average market return is about 10%.

Canadian regulated utilities **Fortis** and **Emera** have made their all-time highs recently. At worst, though, the stocks are fully valued. Regulated utilities are the kinds of dividend stocks you can park your money in for decades. [Fortis](#) and Emera will steadily increase their common stock dividends as long as the regulated environment remains intact. Therefore, investors should consider buying them when they're attractive to collect growing, passive income.

According to the pundit, the two indicators have appeared: an extraordinary stock market rally and higher regulated utility stock prices. There needs to be another factor to trigger a bear market or

market downturn, though — an external factor like a black swan event.

Last year, we had a market downturn because of a novel coronavirus pandemic. No one saw that coming. Similarly, no one will see the next black swan event coming either. Therefore, there's no way of knowing when or how the next bear market will occur.

We can only prepare for one. Here's what you can do.

## Stick with quality stocks

Even if you're nervous about a [bear market](#) looming, it's probably not smart to sell out of the market. We still got to invest somewhere to achieve our long-term financial goals of purchasing a home or saving for retirement.

As the pundit suggested, you can't go wrong by sticking with stocks like Fortis and Emera for the long haul. Actually, you can stay invested in any quality stocks that have a track record of stable profitability through business cycles.

## Take partial profits

Extraordinary stock price appreciation doesn't occur every year in the stock market. However, just because we had a great year doesn't mean the bear will suddenly show up in the next year. Perhaps we would experience a year of sideways action, in which both the bear and bull are resting.

If you're really nervous about your stock holdings such that you can't sleep well, then maybe you should take partial profits and raise some cash. Consider first taking profit from cyclical stocks.

## The Foolish takeaway

Bear markets don't come often, but when they do, you want to have excess cash available for investment. So, right now, it's probably a good idea to be in quality stocks and to increase one's cash position.

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1. Investing
2. Stocks for Beginners

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