



## TSX Composite Index Down 5%: How to Make Money in a Market Downturn

### Description

The TSX Composite Index is down almost 5%, as the market fears the Omicron wave. It's not just the TSX; world markets, including Dow Jones industrial average, the S&P 500 Index, and the Nasdaq Composite Index, are also witnessing a downturn. A 5% dip is a downturn and not a [crash](#). The economy might look gloomy in this bear market, but this is the time to stay optimistic, as you can make money in a downturn.

History is a great teacher, as it tells you about past successes and mistakes. Indeed, past performance does not guarantee future returns. Yet you look at historical data as you seek to learn from other mistakes and profit from the market.

### What history tells you about market downturns

A 5% dip is a correction that happens from time to time, as traders and institutional investors rebalance their portfolios. This is an opportunity to buy quality stocks that you have had on your watch list for a long time. Investing is different than trading. Traders put their money in stock prices, but investors put their money in the company — in the business. Hence, it is important to have a long-term view of a business before investing your hard-earned money in it.

A quality stock can bear the heat and come out profitable. To identify this stock, you have to do a little digging into the financial statements. Look at a company's revenue and earnings growth, cash flows, debt burden, and the management's future growth strategy. Then look at the company's industry and the scope of growth for the entire industry.

It is noted that an industry growth wave/trend accelerates the growth of most players that ride the wave. Those that surf the wave tend to thrive and generate significant returns, while those who fail to catch up with the trend perish. The idea is to buy stocks of market leaders that are at the top of the wave, surfing the trend.

## Two stocks to buy in a market downturn

Here are two stocks that have the potential to recover from the downturn and make a new high when the bull market returns:

- **SmartCentres REIT** ([TSX:SRU.UN](#))
- **Descartes Systems** ([TSX:DSG](#))([NASDAQ:DSGX](#))

### SmartCentres REIT

SmartCentres REIT is a stable stock in a growing economy, but it has been volatile in this volatile market. It dipped 3.8% so far in the Omicron bear market. This dip has increased its dividend yield to 6%. The retail REIT has the backing of **Walmart**, from which it earns 25% rent income. It has survived the March 2020 crash and the 2009 crash without slashing dividends, while its rival **RioCan** cut dividends in 2020. This shows SmartCentres's ability to handle a crash. Hence, a downturn is easy for it to handle.

SmartCentres is investing in SmartLiving, as it broadens its portfolio beyond retail into residential and commercial properties. The REIT stock price is likely to increase along with the market. This is a good time to buy the stock, as you can lock in a higher dividend yield and see capital appreciation.

### Descartes Systems

Descartes is among the top 10 supply chain management (SCM) solutions providers. Allied Market Research [expects](#) the SCM industry to grow at a compounded annual rate of 10.7% by 2030. E-commerce and food delivery orders are acting as growth catalysts for SCM. Descartes is among the beneficiaries of the e-commerce wave. The stock has surged over 80% and 50%, respectively, after two major dips of March 2020 and May 2021.

As long as there is a trade of goods and services, Descartes's solutions will see demand. With the Omicron uncertainty, the stock has dipped 13%. But it stands a good chance to [bounce back](#) and surge to a higher level as the economy recovers.

### Foolish takeaway

You can buy the above stocks in three installments: one now, another if they fall another 5%, and again if they fall another 8-9%. They will fall in the market downturn but have a chance to bounce back at a faster pace than the market.

#### CATEGORY

1. Coronavirus
2. Investing

#### TICKERS GLOBAL

1. NASDAQ:DSGX (Descartes Systems Group)
2. TSX:DSG (The Descartes Systems Group Inc)
3. TSX:SRU.UN (SmartCentres Real Estate Investment Trust)

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