



Stock Market Pullback: Why Another Could Come Soon

Description

The **S&P/TSX Composite Index** remains pretty much stagnant. Sure, there have been ups and downs recently, but year-to-date, the stock market has changed by only 0.5% during the first few months of the year. And it has some economists warning Motley Fool investors that if they thought the dip in January was bad, another stock market crash could be coming. And soon.

High valuations ahead of rate hikes

There has been a high number of asset bubbles around the globe, leading to record-high valuations to start 2022. Stocks, bonds, real estate, have all soared so far this year. Meanwhile, Canadians and the world in general continue to wait on rate hikes that should be coming within the next month.

The current situation has created so much volatility that a stock market crash practically looks inevitable. What's happened is peak enthusiasm in the market. Investors looking for growth as dips come and go buy up shares only to sell them almost immediately, or at least see them stabilize. Take **Bitcoin** for example. After climbing back to over \$55,000 per token, it has remained steady for almost two weeks now.

Then there's inflation

Inflation. It's something everyone has seen, whether they're in the market or not. And this alone could be a huge catalyst to a stock market crash. Inflation has been climbing to its highest level in more than 20 years. And now, it leaves the Central banks in a damned if you do, damned if you don't situation. Sure, we could halt interest rate hikes, but that may lead to stagflation. The reverse? A major stock market crash as investors look to take out cash to make up for the increase in prices.

As I'm sure you're already aware, the latter looks to be the choice. And it has to be the better of the two, but still. It's definitely no fun. And certainly will lead to a stock market crash that will make growth investors gasp. Some analysts even believe the next stock market crash could be worse than any of the global financial crises we've experienced over the last few *decades*.

How to prepare

I wouldn't just give you all this information and say "Well, good luck with all this!" If a stock market crash is coming, and if it's going to be the worst we've ever seen, preparation is key. And the best piece of advice I can give you is to talk to a financial advisor.

If you have a bank account, you have a financial [advisor](#) available to you for free. They can help you prepare for a stock market crash, and make sure you're on track for long-term [goals](#). Something they are likely to recommend is to get out of the riskier investments you may have. This could include cryptocurrency, tech stocks, cannabis stocks, and others. Really, everything could be at risk.

Everything, that is, expect perhaps exchange-traded funds. If you've made massive returns in these riskier areas, there's no harm in taking those returns and keeping them safe in a conservative investment to ride through the storm. Right now, I'd recommend something like the **iShares Core Balanced ETF Portfolio** ([TSX:XBAL](#)).

The balanced portfolio is self-explanatory, putting investments across multiple industries, asset classes, and more. Further, you get a 1.98% dividend yield. It's grown steadily these last few decades, up 42% in the last decade. True, that's not much growth. But it's *stable* growth, and there haven't been crashes either. So if you want to protect yourself from a stock market crash, this is certainly one I'd [recommend](#).

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