Stock Market Correction: How Low Is Low Enough to Buy?

Description

The stock market correction continues, with some economists predicting a recession, though it should just be a "mild" one. Even still, all those gains you made during the growth of the last few years is now falling lower and lower.

Yet for some Motley Fool investors, they're looking at this fall as another opportunity to buy into companies they've wanted to pick up for a long time. But what companies should those be? And how low is low enough?

Don't time a market correction

To answer these questions, I first have to state that investors should never attempt to time the market correction. Yes, we would all love to buy up stocks at the market bottom. But that is next to impossible to predict, even by major financial institutions.

Just look at the **TSX** during the March 2020 crash during the pandemic. The market bottom hit quickly on Mar. 23, 2020. From there, it started a stable climb upwards. But who could have predicted that? The week before saw the TSX go up and down several times. And it also climbed and dropped slightly in the next week as well. So, for all you knew, shares were set to drop even further, and you had no idea you missed the market bottom.

Consider 10% instead

Instead of trying to achieve the impossible by timing a market correction, you must first look to the stocks you want to get in on. Then if there is a market correction or even a recession happening, wait and see if your stock goes down by 10%, for example. This is a strong correction that you should see rebound within the next year, during a recession at least.

Could shares continue to drop? Absolutely. But Motley Fool investors shouldn't be thinking about days or even weeks ahead; they should be thinking years ahead. Strong companies see shares return to pre-crash levels within a year. So, within a year, you should make strong returns. Then you'll still have gotten a deal as a long-term holder, rather than waiting and perhaps missing out on the opportunity to buy low and sell high later.

The best chance at a turnaround

If you want the best chance to see your shares turnaround quickly, I would consider the Big Six banks. These banks have rebounded to pre-crash prices within a year during the last several recessions. Furthermore, they have credit loan losses still on hand even after the pandemic. So, each should get through a recession relatively unscathed.

So, why not choose them all and invest in **BMO Equal Weight Banks Index ETF** (TSX:ZEB)? This exchange-traded fund covers all the Big Six banks, providing you with access to the dividends, growth, and protection of all the banks.

Right now is also a strong time to consider ZEB ETF for your watchlist. Shares are down 7% year to date, so they're almost at that 10% mark. This comes from the rise in interest rates and inflation harming the banks. But again, the banks will be able to come out of any market correction. So, that would mean your shares would come back up, too.

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Date
2025/06/30
Date Created
2022/05/15
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