



## The Dos and Don'ts of Stock Investing in a Bearish Market

### Description

The TSX Composite Index fell 10.45% between April 20 and May 12, as inflation surged, and the U.S. Fed warned of a 50-basis-point interest rate hike. While the stock market is showing a [bearish](#) tone, it is yet to enter the bear territory of a 20% dip. The Nasdaq is already in the bear territory falling 25% year to date.

Nobody likes to see red lines in their portfolio. But making any sudden moves in this market could leave you with losses, and you don't want to lose money in this inflationary environment. Here are the dos and don'ts for some stocks that most Canadians have in their portfolio.

### Dos and don'ts of investing in a bearish market

The stock market has good and bad days. When things are low and gloomy, the best thing to do is rest and energize yourself. I may sound philosophical, but that's the way to deal with a bear. When you face a bear, don't move. Just play dead. The market is not yet bearish, and there's no point in selling your stocks.

### Do buy the dip of resilient stocks

The stock price is the reflection of investor sentiment in the short term but of fundamentals in the long term. Stocks like **Descartes Systems** ([TSX:DSG](#))([NASDAQ:DSGX](#)) and **Constellation Software** ([TSX:CSU](#)) are in a long-term growth trend. Even after 10 years, their revenue and earnings are growing double digits. These fundamentals reflect in their long-term stock price momentum. Their stocks surged at a compounded annual growth rate (CAGR) of 30% and 40%, respectively, between 2012 and 2021.

The tech bears have pulled the two stocks down 30% and 18%, respectively, from their 52-week high, reflecting investors' panic. These are the stocks to [buy the dip](#) and book a slot in their long-term growth.

## Don't overbuy

Don't buy more than you can afford to lose. Even though these stocks are resilient, there is downside risk. Also, don't buy these stocks thinking that you will sell them by year-end. They can give handsome returns only if you hold them for five years or more.

## Do sell loss-making stocks

While it is a good time to buy, it is high time you offload loss-making stocks. If a [recession is coming](#), you don't want to be funding losses of **Air Canada** ([TSX:AC](#)) and **Cineplex** ([TSX:CGX](#)). An investor buys stock to get a share in the company's future growth. But AC and Cineplex are still struggling with pandemic losses.

AC has a significant net debt of \$7 billion, and the rising fuel cost has delayed its road to profitability. It reported a net loss of \$974 million in the first quarter, marking a loss for the third straight year. Even though revenue is coming closer to the 2019 level, high fuel costs and the Russia-Ukraine war have prolonged its losses. The question remains: how long can it survive with \$10 billion liquidity?

Cineplex has a similar story. Its [first-quarter](#) revenue jumped 452%, while its net loss halved to \$42 million. The company might turn profitable if this growth rate continues. But a 452% jump is just one-off, as Cineplex opened all its theatres for most of the first quarter. The revenue actually fell 23% compared to the fourth quarter of 2021. A recession could see many families cut their entertainment budgets and go back to over-the-top platforms. This could prolong Cineplex's losses.

## Don't sell all loss-making stocks

You are better off selling these stocks, as they are likely to make new lows in a recession with little hope of recovery if the recession is prolonged. While these stocks are worth selling, don't sell all loss-making stocks. **Lightspeed Commerce** and **Shopify** are making losses, but they have significant growth potential and low debt, making them worth holding onto.

The best investing strategy in a bear market is to play dead. Stay invested in fundamentally strong stocks that you have researched. As Warren Buffett says, "Risk comes from not knowing what you're doing." Don't go risking your portfolio by doing the don'ts.

### CATEGORY

1. Investing
2. Stocks for Beginners

### TICKERS GLOBAL

1. NASDAQ:DSGX (Descartes Systems Group)
2. TSX:AC (Air Canada)
3. TSX:CGX (Cineplex Inc.)
4. TSX:CSU (Constellation Software Inc.)

5. TSX:DSG (The Descartes Systems Group Inc)

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1. kduncombe
2. pujatayal

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#### **Author**

pujatayal

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