Market Correction: Are Canadians at the Beginning or the End?

Description

Canadians experienced an official market correction in by mid-May of 2022. After peaking on March 29, the **TSX** fell by 10.8%. When the market falls more than 10%, that's an official market correction. And that gives a signal for many Motley Fool investors to start buying.

But before you see the market correction as a green light, it's important to look at what's happening lately. Even more important is to know *where* you should be investing. Take a beat and think about what you want out of your portfolio over the long run.

Let's get right to it.

What's happening on the TSX today?

The TSX today is down 1.5% as of writing from the beginning of 2022. Since March 29, it's down 5.3%. You'll notice that it's already climbed by about 5% from market correction territory.

If you zoom in on the last few months when the market correction occurred, there was a major dip between the end of March and the end of April. There were two brief jumps before the fall to correction territory followed by one climb and fall before today's improvement.

And it has been an improvement. Between May 18 and writing this article on May 30, there has been a climb of 4% alone. Rather than a couple days of improvement followed by losses, this has been a *sustained* improvement over the last few weeks.

Does that mean it's over?

There is no crystal ball telling us that a market correction is over. Unfortunately, another drop could happen in the future. What it will come down to is announcements from the government likely pushing the market up or down.

Those announcements can come from two sources. First, Canada continues to see inflation climb higher in this country. Same with the United States. In March it hit 6.7% year over year, and in April it hit 6.8%. But you'll notice that climb was smaller, so inflation may indeed peak in May.

Interest rates continue to climb. It's likely we'll see several climbs over 2022 to combat inflation running rampant. And when another boost comes, the market tends to react poorly. But long term, we'll definitely see a return to normal.

How to protect yourself

Stop focusing on the ins and outs of daily market activity during a market correction. Instead, Motley Fool investors should look at the TSX today and find opportunities that are great no matter what happens. Right now, there are value stocks that trade at significantly low prices compared to fair value. So, when the market recovers, you'll know these stocks will climb higher and that you will have bought them at a discount.

The Big Six banks are a strong option in this case. I would look at companies like **Toronto-Dominion Bank** (TSX:TD)(NYSE:TD), as the company has exposure to growth in both Canada and the United States. Further, it's growing its online, credit card and wealth management portfolio as well. This could all spell significant growth on the TSX today and in the future.

Furthermore, TD stock offers a 3.71% dividend yield as of writing, with share growth of 49% in the last five years. It's grown 11% in the last year alone, even after the latest market correction. Finally, it trades at a valuable 12 times earnings at writing!

Foolish takeaway

Whether another market correction or crash happens, Motley Fool investors can prepare your portfolio by investing in strong long-term stocks. The Big Six banks continue to perform well through exposure to credit loan loss provisions. TD stock is one of them, also offering passive income while you wait for your valuable stocks to recover.

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