The Biggest Regret a TSX Investor Can Have

Description

TSX investors are likely under a considerable amount of stress these days, with stocks and bonds heading south. With few places to hide and volatility striking almost every sector, it seems as though investing is too difficult a game for many who made easy gains in 2021.

Indeed, investing isn't always fun or easy. Most of the time, it's hard and downright painful. With the TSX Index and S&P 500 both in correction territory, while the Nasdaq 100 attempts to come back after a bear market crash of more than 30%, it seems like things can only get worse from here.

There's a lot of bad news to consider, and tuning into any news show is enough to make investors hit that sell button. Many TSX investors are probably contemplating selling after the bloodbath in the first half of the year. Though doing so will feel great for the day, week, or even month after, investors run the risk of missing out on market bounce-backs.

Big bounces tend to follow sharp plunges

As I've noted in numerous prior pieces, the biggest market up days tend to be close to the worst down days. We saw that in the latter half of last week when markets sharply surged higher on the back of minimal news. Did the markets deserve to surge, given not much has changed about the macro picture since last week? Is this yet another short-lived bull trap? And is a hard-landing inevitable, as central banks tighten to eliminate inflation?

Nobody knows. While the Fed's rate hikes are bad news for many firms, especially those in the tech arena, history suggests that selling at a time like this is not the best course of action. Indeed, markets can still make you money, even when the Fed tightens. Further, the Fed could overtighten with the need to cut rates at some point in the future once inflation is no longer a trending issue.

At the end of the day, timing the market is a bad idea, even when investors expect the worse. A pandemic, geopolitical turmoil, and other problems may weigh down stocks further. On the flip side, long-term investors may find that just being a contrarian in the face of uncertainty is enough to gain the edge over the average investor who's likely hovering their hand over that sell button.

Hydro One: A cautious bet for jittery TSX investors

Foolish investors are in it for the long run. As such, recent market volatility should be viewed as a chance to buy stocks on sale. For those reluctant to get in, given fear and doubt are so engrained in investor sentiment these days, I'd argue that playing it cautiously and defensively with a name like **Hydro One** (TSX:H) is wise.

Hydro One is arguably one of the least-correlated stocks to the broader TSX. Further, it has a safe 3.3% dividend yield that will be supported, even through the worst times, thanks to the firm's monopolistic position in Ontario's transmission lines.

Hydro One is among the most defensive of defensive dividend stocks. And it's a great sleep-easy buy for jittery investors who want to enhance their long-term returns after a market drop rather than take away from them. At 20.2 times trailing earnings, Hydro One is not a cheap stock. However, it's also not as expensive, given how unrewarding bonds appear these days.

Sure, bonds are slightly more attractive than a year ago. But inflation is also a heck of a lot higher. With Hydro One stock, you'll get a good shot at a similar yield with more in the way of capital appreciation.

Don't come out of this correction feeling regretful

In short, following the herd by selling after others already have is a mistake that TSX investors may kick themselves over. For younger investors with time on their side, not buying such dips may also be a source of regret down the road.

It's wise to be cautious and prudent. But freezing up or giving into fear will do no good for your long-term wealth-creation prospects.

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