



## Is This Really the Right Time to Invest in the Stock Market?

### Description

The **S&P/TSX Composite Index** has seen better days. In fact, the last year has been quite brutal, with the TSX falling 12%. If you feel like scrambling for the sidelines, I totally understand. I have done some selling myself. With a recession and higher interest rates looming, it seems like the stock market is doomed.

But with every setback, there's always an opportunity. Is now the right time to invest in the stock market despite the bad news?

### All stocks in the market are not equal

As you know, different stocks have different characteristics. They have different risk profiles, different return potentials, and different volatility profiles. So, we can't answer the question without acknowledging this and distinguishing between stocks.

First, we have [growth stocks](#). These are the stocks of companies that are aggressively growing. Revenue growth is usually chased at the expense of margins and income. The point here is to grow the business at all costs in order to establish a foothold in the market and economies of scale. A first-mover advantage is important, and to do this requires large sums of money. These growth companies are often spending all of their cash flow borrowing and raising money.

Next, we have the blue-chip companies. These are the companies that are well established. They have solid track records of steady growth. Usually, they pay generous dividends as well. These companies have lower volatility and cleaner balance sheets. These are the stocks that we can buy and forget about. Their return profile is slow and steady and, most importantly, reliable.

So, in today's stock market, investors are nervous. We've seen massive amounts of market capitalization wiped away in a matter of months, even days. This can make the best of us squeamish — and for good reason.

## Invest in blue-chip stocks yielding as high as 6.7%

The biggest opportunity that arises in a weak stock market is when blue-chip stocks start trading at ridiculously low prices. They just fall with the rest of the market. They do this regardless of the fact that they're top-quality companies that were never in trouble. Investor psychology just projects the macro troubles onto every stock.

**BCE** ([TSX:BCE](#)) stock is a blue-chip stock that has fallen in sympathy with the rest of the market, but for no good, company-specific reason. Today, BCE stock is yielding a spectacular 6.2%. It's a yield that implies that this stock is way riskier than it actually is. In its latest quarter, BCE generated \$1.3 billion in free cash flow, which is 7.1% higher than a year ago. Also, BCE has a track record of growth and [shareholder value creation over many decades](#). Its annual dividend has grown at a compound annual growth rate (CAGR) of 4.6% over the last 22 years.

**Enbridge** ([TSX:ENB](#)) stock is another blue-chip stock that's screaming value right now. With a current yield of 6.7%, Enbridge stock is also not reflecting its strengths. This is a company that is at the heart of the North American energy infrastructure grid. We cannot live without it and Enbridge's results reflect this simple fact. Cash flow of \$2.7 billion underpinned another strong quarter in the second quarter of 2022, as strong utilization and operational performance were clear drivers. Enbridge has a solid long-term track record as well. Since 2017, Enbridge's cash from operations has grown 39% to \$9.3 billion in 2021. And since 2000, Enbridge's dividend has grown at a CAGR of 11%.

## Motley Fool: The bottom line

In conclusion, I think that it is the right time to invest in the stock market — to buy blue-chip stocks. These are the stocks that have been tried and tested. They survive economic downturns and come out on top. They're the stocks that we can comfortably invest in at bargain prices when stock market news is bad and weakness prevails. In contrast, I think that we should hold off on investing in the riskier growth stocks — those with no earnings, high debt, and economic sensitivity.

### CATEGORY

1. Investing

### TICKERS GLOBAL

1. NYSE:BCE (BCE Inc.)
2. NYSE:ENB (Enbridge Inc.)
3. TSX:BCE (BCE Inc.)
4. TSX:ENB (Enbridge Inc.)

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