



3 Ways to Play a Market Decline

Description

So far, 2014 is not starting out all that great in the stock market. Investors are growing increasingly worried about the strength of the economy.

Argentina devalued its currency, and the United States reported that manufacturing activity was growing at a slower pace. Unemployment rose a surprising 46,000 in December 2013. With loose monetary policy coming to an end, stocks will have a harder time justifying higher prices. Still, patient investors may still navigate profitably in this market by focusing on three themes.

1. Dividend income

Dividend-paying stocks typically drop as interest rates rise. This would happen because dividend-generating investments compete with risk-free assets that offer a competing rate of return. Monetary easing is tightening, but will happen with interest rates remaining low for the foreseeable future.

Companies that raise interest rates consistently are often good investments. Dividends grew steadily for **TransCanada Pipelines** ([TSX:TRP](#))([NYSE:TRP](#)) since 2001. Its shares now yield 3.856%. The uncertainty surrounding Keystone is dampening enthusiasm for this company. If the United States accepts the proposed 1,179-mile pipeline, shares will soar.

2. Higher commodity prices

A global economic slowdown would hurt most commodity prices such as oil and copper, but not gold. Gold prices are typically hurt by expectations for higher rates and a strong U.S. dollar. In 2013, gold prices fell by 28%. Gold miners adjusted expectations by reducing exploration activities and operational costs.

Newmont Mining ([NYSE:NEM](#)) produced better cash flow in its fourth quarter. Its shares dropped nearly 15% after the company forecast production would be as low as 5M oz. at a cash cost of \$740-\$790 /oz. This forecast is lower than the company's previous forecast of 5.4M oz at \$685/oz.

Newmont is also facing new demands from the government for its mines in Indonesia. The threat of

new taxes and export bans from Indonesia for Newmont's mines is adding uncertainty for investors. Still, Newmont's annual dividend is \$0.84 per share, which yields 3.6%. A successful negotiation with Indonesia would also give Newmont shares a boost.

3. Company turnarounds

Technology moves quickly, so companies failing to innovate won't last. **BlackBerry** ([TSX:BB](#))(Nasdaq:BBRY) is synonymous with failing to evolve quickly enough in the rapidly changing smartphone market. Although its shares dropped 29% in the last year, the beaten-down company could be a turnaround story in 2014 and beyond.

BlackBerry hired a highly reputable turnaround specialist, John Chen, as its CEO. He already proved his willingness to make drastic changes to make sure BlackBerry survives as a business-oriented mobile device management play. He briskly cut BlackBerry's focus on the consumer market, oversaw Foxconn to make its phones, added new faces to the management team, and boldly stated the company's aim to generate positive cash flow by fiscal 2015 (within five quarters). BlackBerry shares more than doubled from its 52-week low. As the company progresses in its turnaround, largely through cost cutting and focusing on its core strengths, its share price will continue its ascent.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:BB (BlackBerry)
2. NYSE:NEM (Newmont Mining Corporation)
3. NYSE:TRP (Tc Energy)
4. TSX:BB (BlackBerry)
5. TSX:TRP (TC Energy Corporation)

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