



This Is My Best Advice to Protect Your Portfolio From a 2020 Market Crash

Description

A quote from business author John C. Maxwell came to mind when I first started writing this article: “It’s said that a wise person learns from his mistakes. A wiser one learns from others’ mistakes. But the wisest person of all learns from others’ successes.”

Let us discuss the three biggest lessons I learnt from the last [two market crashes](#).

Don’t try to time the markets

The stock markets are very efficient, and a stock’s price is reflective of all information available. If a multi-billion-dollar investment fund with every resource available to it cannot consistently predict where the markets are going, the average investor cannot either. Trying to sell a stock right before a downturn is not the right strategy any investor should follow.

Don’t let emotions control your decisions

When it comes to money, investors become less rational the more volatile the markets become. Losing a huge sum of money tends to make investors panic and sell their stocks at the worst time. The typical investor behaviour goes against Warren Buffett’s advice of being “fearful when others are greedy and greedy when others are fearful.”

See a market crash as an opportunity

Investors will only focus on the fear of potentially losing money when the markets crash. They don’t look at the upside potential of being able to buy stocks at a much lower price. The key to success is to be able to put your portfolio in a position to take advantage of this opportunity when it happens.

Simple but effective advice to build wealth

An investor should look at stocks that are going to perform whether the markets are going up or down, so there is no need to time the markets. They should also invest in companies that have low volatility to reduce the likelihood of huge swings that could cause them to make an emotional decision. Finally, a stock with low volatility will also provide better [downside protection](#), allowing an investor more capital to reallocate and redeploy in a market crash.

Two stocks that fill these criteria, making them ideal for investors' portfolios, are **Magellan Aerospace** ([TSX:MAL](#)) and **Cogeco Communications** ([TSX:CCA](#)).

Magellan Aerospace

Magellan Aerospace has an \$811 million market capitalization with a five-year volatility that is 46% lower than the TSX. It designs, engineers, and manufactures aerospace parts for corporate and government clients in Canada, the United States, Europe, and Asia.

A layer of defence for the company is that MAL is selling to governments and large corporations. Corporate and government spending on aerospace is not discretionary and often budgeted out for years, which means this stock will perform in an up or down market. Also, Canadian defence spending will increase by \$62 billion in the coming years, which will benefit MAL greatly.

Cogeco Communications

Cogeco Communication has a \$5.5 billion market capitalization with a five-year volatility that is 33% lower than the TSX. CCA has an impressive 10-year price gain going from \$34.50 to \$113.20, a 228% rate of return due to it consistently beating analyst revenue projections. Cogeco has stronger financials than most in the industry, but that are still nimble enough to capitalize on the ever-changing telecommunication space.

Furthermore, internet and cable services tend to be much less discretionary than other spending like fancy dinners or vacations. Thus, when an economic recession hits, most of Cogeco's customers will not cancel their subscriptions.

The trend of cable cutting dooming the industry is exaggerated, as Cogeco has just replaced its lost revenue with high-speed internet services. Additionally, internet service has a higher profit margin than TV, allowing CCA to grow its bottom line well into the future.

Final word

Investors shouldn't fear a market crash but instead be prepared to capitalize on it should it happen in 2020. Investors that own Magellan Aerospace and Cogeco Communications will not only protect their portfolio's value but also put themselves in a position to take advantage of a market crash in 2020.

CATEGORY

1. Investing
2. Tech Stocks

TICKERS GLOBAL

1. TSX:CGO (Cogeco Inc.)

PARTNER-FEEDS

1. Business Insider
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