Market Crash 2020: 2 Tips on How You Should Be Investing Today

Description

As we've witnessed over the past few weeks, market crashes can cause stress for even the most Foolish investors. Unless you've been shorting the Canadian market since mid-February this year, your stock portfolio has most likely taken a major hit.

With a bull market running for more than a decade, many investors have been expecting a recession now for some time now. But if so many investors had been expecting this, then why is the media in such a frenzy? It's the speed at which the market has dropped that's alarming investors.

For context, the Canadian market took about 10 months to drop roughly 50% during the great recession more than a decade ago. We've now seen **S&P/TSX Composite index** drop more than 30% in one month.

With the market dropping as quickly as it has, knee-jerk reactions by an investor can have a serious long-term impact on their portfolio.

No one said that going through a market crash like this would be easy, so here are two tips on how you can remain calm, cool during these volatile times.

Think twice before acting

This goes for both buying and selling.

Most investors are seeing serious drops in value in companies that they have owned for years.

For starters, make sure you are comparing the performance of a company you own to an index, such as the **S&P/TSX Composite Index.** Don't worry, it's not only your portfolio that is getting its stock price slashed. If the price of a company you own is dropping significantly more than the market, then make sure you are keeping a close eye on why that's happening.

With the Canadian market now down more than 30% this year, many Canadian household names are down close to 50%. If the business model has not fundamentally changed and you still believe the company will be a market leader in five years' time, selling the company now won't do your future self any favours.

Rash decisions don't only come in forms of selling, though.

Today it's more important than ever to make sure you have a watch list of prospective companies you'd like to own. Watch lists keep investors in check during times of volatility. They ensure investors are only purchasing companies that weren't chosen during a market crash, which helps investors avoid making rash purchases.

The travel industry has been one of the hardest hit recently, but it doesn't mean those are the best bargains on the market. If it wasn't on your watch list before the market crashed, it might not be the best buy for your portfolio today.

Add a market leader

While a market crash may not seem like the most opportunistic time to be buying stocks, there are plenty of great companies on sale right now.

If you have some cash on the sidelines and can stomach the short-term volatility, make sure that all-important watch list is up to date.

When reviewing your watch list, start by looking for market leaders that have taken a recent hit in stock price. Often what can happen in a recession is smaller players within an industry are either bought out by the market leaders of the respective industry — or they go bankrupt from not having enough funds to survive the downturn.

Canadian tech favourite **Shopify** had an exceptional year in 2019, with shares rising by nearly 175%. And with shares now down 30% from their all-time high, Shopify is a market leader that investors might want to start a position in today.

Foolish bottom line

Market crashes such as the one we're seeing today aren't easy for anybody.

Just remember to think twice before making any moves in your portfolio — and that includes both buying and selling. If you do have the cash to spare and are looking to add shares of a company, stick to your watch list and focus on market leaders.

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1. Investing

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2. Canadian technology

3. market crash
4. recession
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