How to Stay Invested During Coronavirus and the Market Crash

Description

The financial commentary I'm seeing and hearing now on Bay Street and Wall Street seems to be largely binary. One camp believes we're in for a depression much worse than the 1929 crash. The other camp generally believes we're in for a V-shaped recovery in a few months.

default watermark

Many have seemingly become financial experts overnight and are predicting precisely when markets will bottom. (Some believe we have already hit the bottom). I'm no expert on this situation. However, in reading what economists and various health authorities are saying on the matter, I've gleaned the following insights. These support a long-term investing strategy, which requires patience and calm.

Insight #1: slow and steady growth over the long term

Demand destruction is real. Folks aren't likely to go immediately see three movies or eat three restaurant meals post-coronavirus outbreak because they've missed some during the outbreak. But, we've also had record growth this past bull market that has set the bar pretty high. In other words, slow, low, or no global growth for a while could be a good thing. This will moderate expectations and set a new floor, allowing for future, demand-driven growth.

Insight #2: a long/deep recession

Central banks aren't likely to stop short-term volatility in the markets. Lower interest rates don't solve medical problems. In other words, this recession/dip could be longer and deeper than 2008. I certainly believe this recession will be longer than many think.

Strategy #1: go defensive

We're going to see bankruptcies if the current economic pathway continues. Getting more defensive seems to be a good idea. Investors are now beginning to price real liquidity/solvency risks into stock prices. Therefore, balance sheet strength may trump income statement strength over the near term.

Strategy #2: keep an eye on lenders

Financial institutions remain key to our global economy and global recovery. Much of the stimulus is focused on financial institutions. Keep an eye on lenders like **Canadian Imperial Bank of Commerce** in the coming weeks and quarters. This is where funds will flow, in and out.

Bottom line

In this high volatility environment, a Foolish investor should never take all of their money off the table at one time. They should also never invest everything they have in the stock market at one point in time. God forbid, please don't invest on margin. We've seen how that's turned out for many investors recently. These investment strategies are generally not successful over the long term.

Staying invested in high-quality companies over long periods of time entails taking a few body shots on the way. But staying out of the markets altogether when everything rallies can turn out to be a knockout from a total return standpoint. If you've read any of my recent pieces on keeping dry powder aside for times like these and buying these dips, this is precisely the time to be buying.

default watermark

As iconic investor Warren Buffet has said "be greedy when others are fearful." It looks like we're nearing maximum fear in the markets right now. That said, I would encourage a "nibbling" strategy, or dollar-cost averaging in this environment. This is because we don't know who long/short or deep/shallow this recession/bear market will be.

Stay Foolish, my friends.

CATEGORY

1. Bank Stocks
2. Coronavirus
3. Investing

POST TAG

1. bank
2. investment
3. strategic

PARTNER-FEEDS

1. Business Insider
2. Msn
3. Newscred
4. Sharewise

5. Yahoo CA

Category

1. Bank Stocks
2. Coronavirus
3. Investing

Tags

1. bank
2. investment
3. strategic

Date
2025/07/04
Date Created
2020/03/30
Author
chrismacdonald

default watermark

default watermark