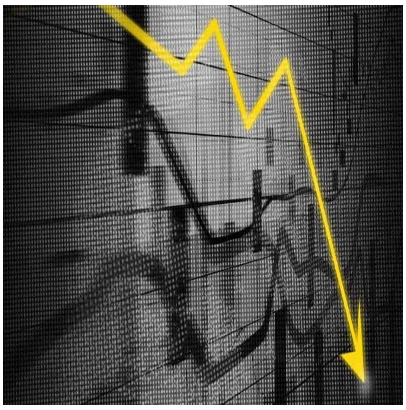

Market Crash 2021: Has the Stock Market Gone Too High?

Description

Every year, financial experts try to predict when the next market crash will be. Often, these individuals bring up certain indicators that help support their claims that the market is way overbought. Unfortunately, it is impossible to correctly predict when a crash will occur.

There is no indicator that can predict that a global pandemic and the lockdowns that result from it will cause a 30% decline in the markets — especially long before it happens. What is certain is that these expert predictions will continue to arise year after year. So, what should investors do in a time like this?

Stick to your investment strategy

The worst thing you can do is sell out of your positions and wait for the next crash. Many studies have shown that by missing just a handful of the best market days, your overall returns may suffer tremendously. We can take a look at a hypothetical investor that invested $10,000 on January 1, 1980.

If this individual had invested that money into an **S&P 500** index and left their funds in the market through to 2018, their portfolio would have grown to $708,143. However, missing the five best market days over that period would have reduced their portfolio to a size of $458,476. If this investor had missed the best 50 days (less than two days a year over that period), their portfolio would have only grown to be $62,342.

Switch to safer investments

If you feel exceptionally uncomfortable, then it may be a good idea to switch out of some high-flying stocks and rotate your money into companies that have a history of being more resilient during market downturns. For example, a company like **Fortis** (TSX:FTS)(NYSE:FTS) may be a good company to hold during a downturn.

Fortis is a diversified utility company, which serves more than 3,300,000 customers in Canada, the United States, and the Caribbean. Currently, the company has a portfolio of $56 billion in assets, making it a leader within the North American utility industry.

Fortis has been able to continue growing its dividend over the past 47 years. When you consider some of the incredible market crashes that have occurred over that time, you can appreciate just how spectacular the stock is. One of the major factors that help make Fortis such a resilient company is the fact that people around the world will continue to use its services regardless of the economic conditions we face.

My personal strategy

When it comes to my own personal strategy, I am very hesitant to sell during a downturn. In fact, I believe you should pour more money into the market as we enter downturns. Buying a stock like **Shopify** (TSX:SHOP)(NYSE:SHOP) on a discount is an excellent way to create wealth.

Investors that allocated capital towards Shopify would have more than doubled their investment just a few months later. While it is impossible to predict that the stock would perform that well, it is well known that growth companies tend to come out of market downturns much stronger than value companies.

Shopify made headlines this year when it became the largest company in Canada by market cap. With the COVID-19 pandemic causing major shutdowns around the world, you can bet on consumers continuing to turn to online shopping. Shopify's future appears very bright, and the company shows no signs of slowing down.

Foolish takeaway

Financial experts will always preach about an imminent market crash. It is important to remember your financial goals and stick to a strategy. For conservative investors, it may be worthwhile to rotate money into more resilient companies. For aggressive investors, keep an eye out for opportunities to purchase your favourite growth stocks. A market crash will happen. No one knows when, but be prepared when it comes.

CATEGORY

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2. Tech Stocks

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TICKERS GLOBAL

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2. NYSE:SHOP (Shopify Inc.)
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