

Are You Prepared for the Next Crash?

eResearch Corporation is pleased to provide an article courtesy of **Investing Daily**.

The article is reproduced below, beginning on the next page, or you can go directly to it at the following link: <https://www.investingdaily.com/43131/are-you-prepared-for-a-recession/>

You can also visit the **Investing Daily** website at the link below:
<https://www.investingdaily.com/>

[Preferences](#) | [About Us](#) | [Contact Us](#) | [Privacy Policy](#)

Copyright 2018 Investing Daily. All rights reserved.
Investing Daily, a division of Capitol Information Group, Inc.
7600A Leesburg Pike
West Building, Suite 300
Falls Church, VA 22043-2004
U.S.A.

eResearch was established in 2000 as Canada's first equity issuer-sponsored research organization. As a primary source for professional investment research, our Subscribers (*subscription is free!!!*) benefit by having written research on a variety of small- and mid-cap, under-covered companies. We also provide unsponsored research reports on middle and larger-sized companies, using a combination of fundamental and technical analysis. We complement our corporate research coverage with a diversified selection of informative, insightful, and thought-provoking research publications from a wide variety of investment professionals. We provide our professional investment research and analysis directly to our extensive subscriber network of discerning investors, and electronically through our website: www.eresearch.ca.

Bob Weir, CFA: Director of Research

Note: All of the comments, views, opinions, suggestions, recommendations, etc., contained in this Article, and which is distributed by eResearch Corporation, are strictly those of the Author and do not necessarily reflect those of eResearch Corporation.

Are You Prepared for the Next Crash?

By Robert Rapier
August 28, 2018

Last week the S&P 500 index reached a new all-time high, and the current bull market became the longest-running ever. But it is important to remember that the previous record bull market of 1990–2000 ended with an 80% crash in the tech-heavy Nasdaq. The “dot.com” bust was ugly and it left a generation of investors traumatized. Do we face a similar day of reckoning? Warning signs are creeping into the market.

The Red Flags

Investors are becoming increasingly skittish about dangers such as trade war and political instability. The S&P 500’s trailing price-to-earnings (P/E) ratio has reached 24.75x, a level that it has rarely reached and well above its long-term average of 15.7x.

Investors are also eyeing the narrowing gap between U.S. Treasury two- and ten-year yields. This yield curve recently narrowed to its tightest spread since August 2007. A narrowing spread points to investors’ fears over the economy. When this spread turns negative, it is an historically reliable predictor of an imminent recession.

Are You Prepared For A Recession?

Not many of us are prepared for a recession and the market downturn that ensues. We are driven by greed and often only become fearful when the danger is obvious. We want to ride this bull market until it’s clear it is no longer a bull market. But no one fires a warning shot, telling you that a market crash is about to happen.

Review Your Objectives

Given the market’s excessively exuberant sentiment, now is a good time to review your investment plans. This starts with understanding the kind of investor you are and your time-horizon. Those factors change over time, so periodically reflecting on your investment objectives is a good idea.

If you are an investor with a decade or more of investment horizon, and assuming you will not have a need for the money in that time-frame, you can afford to be aggressive. You don’t need to worry too much about a correction or recession. Just stick with the course and ride out the inevitable economic slow-downs. Unless your investment time-horizon is extremely short, this will be the most profitable course over time, if you can cope with the volatility.

If you are approaching retirement, or otherwise will need to cash in some of your investments within a few years, you should think about getting more conservative with your portfolio. Better to park money in lower-yielding, but safe investments than risk being down 30% just when you need your money. And, trust me, you can be down 30% very quickly if you are aggressively invested.

Most of us are somewhere in between that extremely aggressive and extremely conservative time-horizon. Even for those with a short time-horizon, you may still want to have some portion of your portfolio that you devote to riskier investments.

<continued>

Coping with Volatility

The equation is easy to understand: higher risk equals higher reward equals higher volatility.

Nobody ever likes to lose money, but it is inevitable. It is important up front to consider how much money you would be willing to lose before you would cut losses on an investment. That should be dictated by your own personal discomfort over seeing gains evaporate, but also by your time-frame.

When I talk about different investment options, I try to highlight risk. Consequently, I may discuss a stock that is appropriate for “aggressive investors.” That is code for an investor that can tolerate a fast and steep decline in investments. Never lose sight of the fact that higher risk will sometimes materialize in higher losses.

Keep in mind that the recession that began in 2008 took the S&P 500 down by 37%. Defensive sectors were not spared. The S&P 500 Utility Index fell by 29% that year, its worst ever annual decline. Some of my own holdings took three to four years to recover from the 2008 recession.

If you cannot afford to wait a few years to recover from a possible decline, you should take defensive measures with your portfolio. Pare back your exposure to pricey momentum stocks; emphasize value. Increase your allocation to hedges. Think about your risk tolerance before you are forced to make an emotional decision in a market melt-down.

#####

[Website: https://www.investingdaily.com/](https://www.investingdaily.com/)

See ABOUT THE AUTHOR on the following page.

ABOUT THE AUTHOR



It is hard to imagine anyone better suited to covering the energy-investment waterfront than Robert Rapier. Robert is no armchair analyst—he has two decades of in-the-trenches experience in a wide range of fossil fuel and biofuel technologies, including refining, natural gas production, gas-to-liquids, ethanol production and butanol production. During a six-year stretch at ConocoPhillips, Robert ran a team of engineers in Scotland working on oil and gas projects in the North Sea.

For two years, Robert was an efficiency expert in a Texas petrochemical plant. The process changes he implemented saved the facility \$9 million a year. He later worked as the Engineering Director for a Dutch environmental-technology company and provided engineering support for a Chinese facility the company was constructing.

Robert was also a butanol engineer in Germany for the Celanese Corporation, where he designed a novel butanol unit that cut production costs by \$5 million per year.

In all, Robert has spent more than a dozen years working on liquid fuels technologies. Along the way he has picked up five patents, including one for a breakthrough way to convert ethane into ethylene (U.S. Patent 7,074,977).

Now, in addition to guiding readers to timely energy plays in his twice-monthly *Energy Strategist*, Robert travels the world evaluating start-up energy companies for deep-pocketed investors. After grilling management and assessing the technology on-site, he makes a go/no-go investment decision. His wealthy private investors and hedge fund backers trust him to make the right choice for the same reason we do: his vast real-world experience in just about every facet of the energy industry. If Robert votes thumbs-up, millions of dollars flow into these cutting-edge outfits.

Robert earned his master of science in chemical engineering and a bachelor of science in chemistry and mathematics (double major) at Texas A&M University. He tells us he was “this close” to finishing his Ph.D. before he decided he was having a lot more fun making money in energy stocks.

A prolific writer, Robert’s articles have appeared in *Forbes*, *The Wall Street Journal*, *The Washington Post* and the *Christian Science Monitor* — and he has been a featured expert on *60 Minutes* and *The History Channel*. His new book, [*Power Plays: Energy Options in the Age of Peak Oil*](#) (Apress, 2012), helps investors sort through doom and gloom, hype and misinformation to understand the true costs, benefits and trade-offs for each of our major energy options.

In what little spare time he has left, Robert consults for a number of energy projects, including biodiesel, ethanol, butanol, and biomass gasification facilities.