

## 2020 Stock Survival Cheat Sheet

### KEY NOTES:

3/28/2020

- If an antiviral comes out to cure COVID-19 the stock market will rip higher like a rocket in the sky.
- This does not undo the economic damage that has been done. There is a real scenario that the stock market high made in February is the high for 2020. Once the real economic impact is known the market may very well push below the March lows before 2020 is done.
- The S&P 500 is a better gauge to track the market than the Dow Jones 30.

### Investing vs. Trading

I'm going to burst your bubble right off that bat. Trying to day trade is a losing proposition for the vast majority. That is the reality. The numbers don't lie.

I've been actively investing for nearly 20 years and it's a game you can win without spending everyday stalking the market.

The majority of us will go back to "real life" in a few weeks and no longer have time to watch the market all day.

### Active Investing

This just means you cultivate your stock positions regularly. Either a set duration (bi-weekly, monthly, etc.) or base it on a time frame you create for a given stock play.

A low maintenance investment strategy to take advantage of the fire sale in the stock market right now is the best bang for your buck - as well as your sanity!

Plus it can lead to wonderful long-term gains that actually make a difference in your life!

Let's set ourselves up for long-term wealth by making smart choices in the near-term rather than "learning to gamble" in the market.

This is what the 2020 Stock Survival Cheat Sheet is designed to do....

### **Cheat Sheet Hint #1:**

Live by the mantra - “Buy on Dips, Sell on Rips”

When looking at the bigger picture the market will have large swings both up and down over the span of months and years. For the rest of 2020 buying on the pullbacks makes more sense and likely produces better results than buying when everything has rip roared already.

However, we usually do the polar opposite. It’s just the human nature of fear and greed.

“Be fearful when others are greedy and greedy when others are fearful” – Warren Buffet.

### **Great Opportunity**

One of the best things about this sell off is the ability to grab up the stocks of solid long lasting business that are severely undervalued right now.

### **Cheat Sheet Hint #2:**

Simplest tool for valuation: **P/E Ratio (price to earnings)**

Price to earnings ratio is simply the current price of a stock relative to its earnings per share.

$$\text{P/E Ratio} = \frac{\text{Market value per share}}{\text{Earnings per share}}$$

The P/E on the S&P 500 is considered to be at fair value anywhere from 15 to 18 depending on what economist you follow.

Here’s the thing – there are a ton of stocks selling well below that ratio, some in the low single digits that are long standing companies ingrained in our society.

### **HEAR ARE SOME EXAMPLE STOCKS:**

American Airlines (AAL) – P/E ratio of 2.5 against 2021 avg. expected earnings.

Carnival Cruise Lines (CCL): P/E ratio of 2.8 against 2021 avg. expected earnings

IHOP (DIN): P/E ratio of 2.5 against 2021 avg. expected earnings

(\*analysts usually look at forward P/E hence the 2021 numbers)

And then there are even bigger safer names like Disney (DIS) and Proctor & Gamble (PG).

Find the companies that will still 100% be in business after the COVID-19 pandemic passes, after the possible recession hits and then scoop up the ones that are severely undervalued.

It does not need to be any more complicated than that.

### **Cheat Sheet Hint #3:**

**STOP TRYING TO TIME THE MARKET PERFECT!**

As mentioned earlier - buy on dips and sell on rips. That is the best bet if you want to “time the market.”

The current market may go higher, it may go lower. I personally think we will see another low this summer, maybe sooner. It doesn't mean that I am right though.

It also doesn't mean I don't have any stocks right now.

What it does mean is that I will wait to pickup certain names. Cruise lines may have more pain ahead as the pandemic continues so I'll wait on those, for example.

The thing is it's not like the cruise industry is going to be removed from our society after all this passes. When I see fire sale prices is when I will look to buy. Some people think we are already there.

Either way, I will look for the strongest company in the industry and grab up their stock when the time comes.

### **That's it - That is the “secret”**

1. Buy on dips, sell on rips
2. Buy strong companies that are undervalued baed on P/E ratio
3. Stop trying to time market tops and bottoms

Sometimes keeping it simple is the best strategy!

### **USEFUL RESOURCES:**

[Finviz.com](https://finviz.com) - a free stock screening site to sort stocks by P/E ratio and tons of other metrics!

[Robinhood](https://robinhood.com) - buy and sell stock with no commissions. Use this [robinhood](https://robinhood.com) link and you get a free stock just for creating an account, you don't even have to fund it!

[Scaredycatguide.com](https://scaredycatguide.com) for more investment educational content or [@scaredycatguide](https://www.facebook.com/scaredycatguide) on facebook.

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