The Best Way to Prep for the Next Sell-Off Now

In 1929, stocks were soaring to new highs, just as they are now.

In 1929, stocks were running on the idea of a booming economy, just like now.

In 1929, optimism was explosively higher, just like now.

In 1929, unemployment was low, just like now.

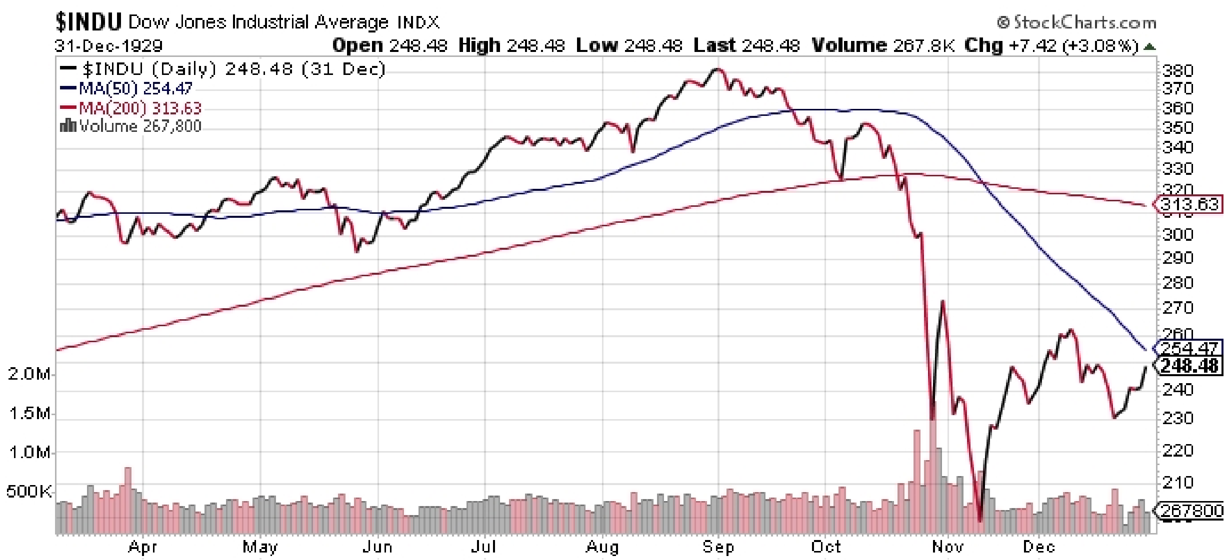
Granted, we can't tell you with great certainty exactly when the next crash will happen. But what we can tell you is that it could catch many of us off guard – AGAIN.

All as markets have become ridiculously overvalued; stretched well beyond fair valuation.

History is Our Guide

In 1929, rampant speculation sent the Dow Jones up 300% between 1923 and 1929. Traders and investors believed stocks could only go up. Speculation forced stocks to unbelievable highs with unjustifiable valuation. Then, it all fell apart.

Between 1929 and 1932, the Dow Jones lost 86% of its value.



In 2000, dot-com optimism sent the Dow Jones to nearly 11,750 until unjustifiable valuations and greed sent it back to a low of 9,731.

In 2008, rampant speculation sent the Dow Jones to a high of 14,038 on the heels of a housing boom. Americans were buying homes they couldn't afford. Stocks were exploding on economic optimism and unjustifiable valuations, just like in 1929 and 2000.

Even today, stocks are soaring on high levels of optimism and unjustifiable valuation.

That could cost us… especially those that are not prepared.

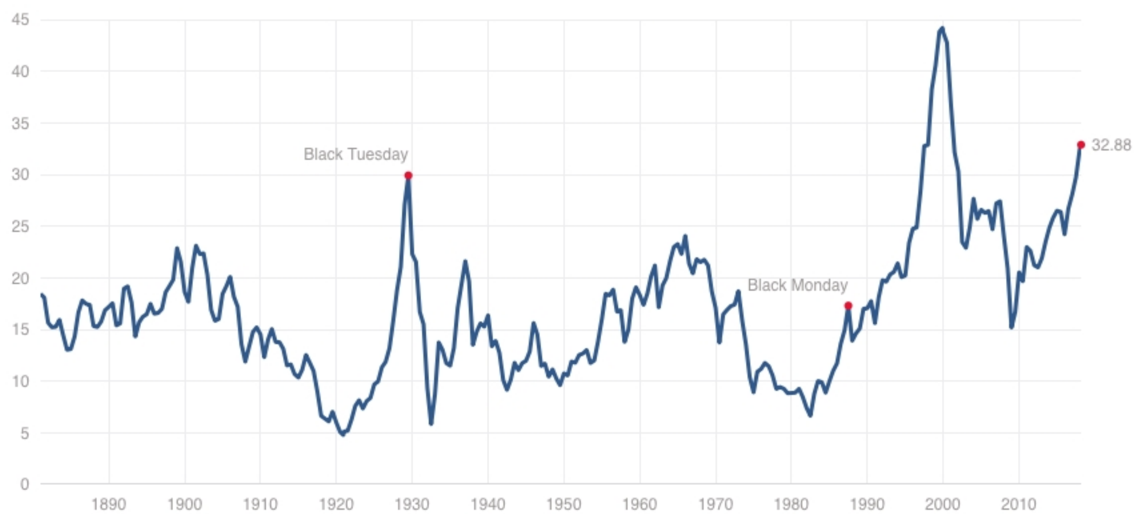
As I'll remind you, none of us will be able to time the exact date of the next crash. It'll catch many of us off guard, just as we've seen in previous meltdowns.

Stocks are Clearly in a Bubble

For one, there's far too much euphoria and the feeling we "can't lose."

At 25.63, the S&P 500 price to earnings multiple is the highest it's been since 2000 and 2008.

At 32.8, the Shiller P/E ratio – which examines company valuations over 10 years and adjusts for inflation – is the highest it's been since Black Tuesday 1929.



The S&P forward P/E ratio compares current market prices to average earnings over the last 10 years adjusted for inflation. And what it has exposed is terrifying, especially over the course of 2017. The last two times it was this high – or higher – markets crashed not longer after.

In 1929, the ratio sat at 30. The Dow Jones would crash from an October 1929 high of 352.69 to 198.69. In 2000, the ratio sat at 44.19 at the start of 2000. Not long after, the Dow Jones would slip from 11,638 to 9,731. In August 2017, it was back to 30.13.

At 32.8, we're nearing highs we haven't seen in quite some time.

In all honesty, the market isn't cheap anymore. In fact, it's overvalued when compared with its history, which absolutely poses risk to upside.

While none of us can predict the next crash event, we can help you prepare for it.

These days, it's not a question of "if," but "when?"

Tip No. 1 – Have Discipline

When markets fall apart, we tend to get a bit emotional. Logic goes right out the window. Discipline means holding on to good stocks, even if they move lower. It also means avoiding the desire to make speculative, risky bets hoping to break even.

We have to remember that markets are resilient. They don't stay down for long.

Also, be willing to see out the "blood in the streets" trades.

When markets crash, investors are typically presented with outstanding buy opportunities in oversold stocks that no one else wants to touch.

In short, remain calm and focused. Don't sell out of panic. Just sit tight.

If you take a look at this 48-year chart of the Dow Jones you can clearly see it pays to stay invested even in the worst of times.

Tip No. 2 – Use Precious Metals in a Bear Market

When markets turn south, investors typically flock to precious metals like gold and silver. Therefore it's always wise to keep a small percentage of your portfolio in precious metals as a hedge for a potential market meltdown.

We can buy an ETF like the SPDR Gold ETF (GLD) for example as a hedged bet.

One way to play that is with Goldcorp (GG:NYSE).

GG is one of the biggest gold producers in the world with quality assets and a great pipeline of projects. There's also the fact that the company is making big strides in improving its bottom line. Over the last year, the company was able to lower its all-in sustaining costs (AISC) to $824 per ounce of gold, as compared to $856 in 2016. We also have to consider that for quite some time, this company was plagued by higher costs and lagged behind its peers before cutting AISC. But it's still not done cutting costs and improving its bottom line.

Plus, earnings aren't too shabby.

The company earned $242 million, or 28 cents a share, as compared to earnings of $101 million or 12 cents a share year over year. At 28 cents, the company beat estimates of 11 cents. That alone is a rarity in this industry when a miner outperforms even the most optimistic of expectations. Bulls were also waiting to see if productions levels were rising, which they were. In fact, the company reported that production exceeded midpoint guidance for 2.5 million an ounce. Better yet, analysts at Credit Suisse upgraded the stock, and boosted their price target from $15.50 to $19 a share.