Three Essential Tips in Pullbacks: Updated

While the U.S. economy is still strong with good GDP and unemployment, fear has emerged. It doesn't matter that earnings have been good, or that the Fed stayed pat with rates, or even that there's potential peace in Korea. None of that matters right now.

Fear is back in a big way.

The Dow Jones Industrial is now challenging its 200-day, which if it breaks could send the index to a low just above 23,000. We're even watching as the S&P 500 suffers in a descending triangle at the moment.

Some analysts have even warned of a 40% market decline. It's a real mess out there. But the last thing you want to do is panic in the market. That's the worst thing you can do.

Instead, remain calm and take note of these suggestions made several weeks ago.

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.

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.

Given the fact that precious metals act as a great form of insurance against global chaos and stock market meltdowns, it's one of the safer tools. Gold, for example, will increase in price in response to any number of potential events; a crash the outbreak of war; pandemics; major uncertainty; interest rates; money "printing;" a decrease in the value of the dollar.

Tip No. 3 – Be Well Diversified with Bearish Investments

Several weeks ago, we recommended diversifying for downside with these:

- Pro Shares Short S&P 500 ETF (SH), which ran from a $28.75 low to $30.35
- Pro Shares Ultra Short S&P 500 (SDS), which just ran from $37 to $41
- Pro Shares Short Russell 2000 (RWM), which just ran from $40.50 to a high of $42

And while those can still be used, here are some other ideas:

- Buy the UVXY
- Buy to open the VIX July 18, 2018 16 calls
- Buy to open the DIA June 15, 2018 237 put
- Buy to open the QQQ June 15, 2018 160 put
- Buy to open the XLY June 15, 2018 103 put

Granted, we'd only recommend buying a couple contracts of each. You never know what's going to happen in this market, but it's still best to be protected.