



3 Proven Trading Techniques to Protect Your Portfolio During a Crisis



Market downturns tend to appear without warning.

Beginner traders are often the first to feel the impact.

Prices move faster, emotions rise, and strategies that work in calm markets suddenly fall apart.

This eBook presents three practical techniques specifically designed for navigating market turbulence. Following our pro tips, you will learn how to choose crisis-ready assets, how to protect your portfolio through simple diversification, and how to follow proven experts using copytrading.

Each strategy is clear, beginner-friendly, and easy to apply, even if you have limited trading experience. This eBook is your starting point for trading on a fallen market with confidence.



Understanding Recession and Why It Matters to Traders

A recession happens when the economy slows down for a certain period of time. Businesses start earning less, jobs decline, and spending weakens. For traders, this matters because market behavior changes quickly. Price swings become sharper, old patterns stop working, and assets that were once stable can fall without warning.

Several baseline factors can trigger a recession:

- High inflation, which raises costs for companies and limits consumer spending.
- High interest rates, which make borrowing more expensive.
- Falling corporate earnings, which weaken stock prices.
- Geopolitical tensions, which raise uncertainty across all markets.
- Declining consumer confidence, which slows economic activity.

When a crisis takes place, traders need strategies built for instability rather than calm markets. Further you will explore three practical methods to protect your portfolio and still find profitable trading opportunities, even in turbulent conditions.

Pro Tip: How Beginners Can Spot and Forecast a Recession

You don't need advanced economics to detect market turbulence early.

All you need is to watch three simple indicators:

1. **Yield curve.** When short-term bond yields rise above long-term yields, it often signals upcoming economic stress.
2. **Unemployment rate trend.** A steady increase over several months is an early warning.
3. **Purchasing Managers' Index (PMI).** A reading below 50 suggests shrinking business activity.

When all three line up, prepare for a possible downturn before the crowd reacts.

Strategy #1: Stay Away from Conventional Investments

Traditional assets like stocks, bonds, and cash tend to struggle during crisis periods.

Stocks fall as corporate earnings decline

During a recession, companies usually make less money. Sales drop, costs rise, and profits shrink. When earnings weaken, investors expect lower future returns. As a result, they sell their shares, pushing stock prices down.

For beginners, this means a stock-heavy portfolio can lose value quickly because prices react immediately to negative economic shifts.

Bonds lose value when interest rates rise to fight inflation

When inflation rises, central banks increase interest rates to slow it down. But here is the catch: when interest rates climb, existing bonds become less attractive because newer bonds offer higher yields.

This causes older bonds to fall in price.

Even though bonds are usually considered “safer,” they can still decline sharply during periods of high inflation or aggressive rate hikes.

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Cash loses purchasing power when inflation accelerates

Holding cash may feel safe, but inflation steadily erodes its value. When the cost of goods and services rises, the money you hold buys less than before.

During a crisis, especially one driven by inflation, cash becomes weaker every month. This makes it a poor primary asset for preserving wealth over longer periods of economic turbulence.

NOTE: During recessionary conditions, portfolios built around these assets lose stability. This is why traders often shift toward instruments with low correlation to conventional markets. They look for assets that move differently and occasionally in the opposite direction.

Alternative Investments to Consider

1. Commodities (Gold, Oil, Natural Gas)

Commodities often rise when inflation increases or when supply shocks occur.

How to trade:

through futures contracts, ETFs, or spot commodity markets.

Why they help:

their price movements are driven by supply and demand, rather than stock market sentiment.

2. Real Estate

Property values and rental income protect against inflation and currency decline.

How to trade:

via REITs, real-estate-backed securities, or property-linked derivatives.

3. Derivatives Contracts (Options, Futures)

These instruments allow traders to hedge against falling markets or speculate with controlled risk.

How to trade:

purchase put options to protect a portfolio, or short futures to benefit from market drops.

4. Hedge Funds

Although not directly traded by beginners, many platforms allow exposure to hedge-fund-style strategies such as long/short equity or macro trading.

Use Case

Let's say, beginner traders hold a stock-heavy portfolio.

During a recession, equities fall fast. To reduce exposure, they allocate:

- **10%** to gold futures;
- **15%** to a real-estate ETF;
- **5%** to oil contracts.

These assets rise while stocks decline. The positive performance offsets part of the losses, showcasing the power of low-correlation diversification.

Pro Tip: Hard Assets as an Inflation Hedge

Hard assets like gold, oil, real estate may also retain intrinsic value. When currency weakens, these assets often rise because their supply cannot be printed or rapidly increased. This natural scarcity makes them powerful tools for protecting purchasing power during high-inflation recessions.

Strategy #2: Diversify Your Portfolio

Diversification splits your capital across different asset types so no single downturn destroys your entire portfolio. Instead of depending on one market, you spread exposure. This reduces volatility and helps smooth out returns over time.

Diversification is not just owning many assets. It means owning assets that behave differently.

How to Apply the Strategy

Divide your portfolio by category

Start by spreading your capital across different asset groups such as equities, commodities, currencies, real estate, and cash-equivalents.

Each category is influenced by different market forces. For example, stocks depend on company earnings, commodities react to supply and demand, and currencies move with global interest rates. By dividing your portfolio, you avoid relying on only one type of asset.

Ensure each category reacts differently to a market shock

Diversification works best when your assets don't move the same way during stress

For example:

- Stocks may fall during a recession.
- Gold may rise as traders seek safety.
- Foreign currencies may strengthen if investors leave domestic markets.
- When these reactions differ, losses in one area can be offset by gains in another, making your overall portfolio more stable.

Adjust allocations based on risk tolerance

Risk tolerance is how comfortable you are with market swings.

If you prefer stability, you might allocate more to defensive assets like gold or cash-equivalents. If you are comfortable with larger swings, you might hold more equities or commodities.

Your mix should match your comfort level so you can stay consistent even during volatility.

Rebalance periodically to maintain intended exposure

Over time, some assets grow faster than others. This naturally shifts your portfolio away from your original plan.

Rebalancing means adjusting your holdings back to your intended percentages, for example, selling a portion of an asset that grew too much and buying more of one that fell behind.

This keeps your risk level steady and prevents your portfolio from becoming unintentionally aggressive or overly conservative.

Use Case

Let's say, a beginner splits a **\$10,000** portfolio into:

- **\$4,000** in broad-market equities;
- **\$2,000** in precious metals;
- **\$2,000** in short-term bonds;
- **\$1,000** in defensive sectors (utilities);
- **\$1,000** in cash-equivalents.

During a downturn, equities fall but gold rises, utilities remain stable, and cash preserves value. The overall portfolio dips far less than a stock-only position

Pro Tip: Pair Assets with Opposite Movements

New traders can create pairs of assets with negative or low correlation. It means they often move in different directions.

Example: Stocks and long-term bonds often move inversely. When economic activity slows and stocks decline; long-term bonds typically rise as investors seek safety. This pairing can stabilize a beginner's portfolio without advanced trading knowledge.

Strategy #3: Benefit From Copytrading

Copytrading allows beginners to mirror the strategies of proven professionals. This is especially useful during recessions, when markets behave in unfamiliar ways and mistakes become expensive.

Why Copytrading Works

You follow traders with verified performance

Copytrading platforms usually display each trader's real results, risk level, trading history, and consistency. This means beginners are not guessing or relying on unproven advice. Instead, they are following people who have demonstrated stable performance across different market conditions. This reduces uncertainty and teaches beginners what successful trading looks like in practice.

Strategies often include diversification and hedging techniques

Experienced traders rarely depend on a single asset or direction. They spread risk through diversification and protect their positions with hedging tools such as options, stop-losses, or inverse positions. When you copy them, you automatically benefit from these protective techniques without needing to understand every detail behind them.

You avoid emotional decisions by relying on systematic methods

In crisis markets, beginners often panic. They start selling too early, buying too late, or holding onto losing positions. Professional traders rely on rules, not emotions. Their decisions are based on data and strategy.

You gain access to portfolios designed for both rising and falling markets

Skilled traders prepare for both scenarios. They may hold assets that perform well in growth periods, while also using short positions, commodities, or volatility instruments that rise during downturns. Copying their portfolio gives you exposure to strategies that protect you in falling markets and capitalize on opportunities in rising ones.ive.

Examples of How Copytrading Helps in Crisis

1. A pro trader might hold defensive assets or short positions when the market drops. Copying them automatically gives you the same protection.
2. Another trader might rotate into commodities or volatility instruments. You benefit without needing deep market knowledge.
3. Some experts specialize in crisis-ready strategies like long/short equity or macro hedging. Beginners can tap into this experience instantly.

Use Case

A beginner with no recession experience connects to a top-ranked trader known for defensive positioning.

During a sharp market decline:

- The trader increases exposure to gold futures.
- Opens a short position on a major stock index.
- Reduces equity exposure.

Because the beginner follows this trader automatically, their portfolio avoids the deep losses suffered by purely long-equity investors.

Pro Tip: Use OnFin for a Transparent Copytrading Experience

OnFin offers a highly transparent copytrading environment with detailed trader statistics, performance history, and risk scoring. Beginners can select from a pool of successful traders whose strategies are consistent and easy to follow.

Copytrading is a strong instrument for anyone looking to protect their portfolio during volatile market conditions.

Final Thoughts

Recessions are part of every economic cycle. They bring uncertainty but also provide opportunities for traders who understand how to position themselves.

However, beginners still have a chance to protect their portfolios and stay confident in unstable markets while avoiding over-reliance on traditional investments, diversifying wisely, and leveraging experienced investors through copytrading.

