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Fire Sale

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What is a Fire Sale

A fire sale consists of selling goods or assets at heavily discounted prices. Fire sale originally referred to the discount sale of goods that were damaged by fire. Now it more commonly refers to any sale where the seller is in [financial distress](#). In the context of the financial markets, a fire sale refers to a situation where securities that are trading well below their [intrinsic value](#), such as during prolonged [bear markets](#).

BREAKING DOWN Fire Sale

A fire sale can be an opportunity for investors. Securities that are on fire sale may offer compelling risk-reward payoffs for value investors, since further declines in these securities may be limited and the upside potential could be quite substantial. The challenge for investors is making the decision to purchase securities during a fire sale. When the market is having a fire sale on stocks, for example, it means that the overall market sentiment is that it is a bad time to own stocks. Buying when the market is selling requires investors to have a [contrarian](#) streak in them. A broad fire sale of stocks is rare, however, and usually only occurs during times of [financial crisis](#). More commonly a particular sector like healthcare stocks or oil and gas services will see a fire sale due to some broad news that negatively affects that sector.

While there are no fixed valuation metrics that indicate when a stock is trading at a fire sale price, it may be considered to be at such a price when it is trading at valuations that are at