# 3 Sectors to Watch in 2015

## Description

As we close out the year, the biggest news maker will probably be oil's precipitous price drop. At first the decline in oil was good news, but the continued price drop has sent shockwaves through the market, and rightfully so.



With oil currently selling below the cost of some North American production, major cost cuts are coming. Already in November, 10,000 contractors in Alberta received their pink slips, and mass layoffs are expected to start in January. I've seen estimates claiming that if oil stays at $60 a barrel, the global economy could lose $1.6 trillion next year. Very few sectors will be immune. So what should you do to protect your money next year? Here are three investment opportunities.

**1. Airlines**

Airlines are perhaps the biggest beneficiary when it comes to low oil prices, because fuel is one of their primary costs. Yes, airlines will likely suffer from reduced demand if consumer spending goes down due to job losses, but competitive airlines could do quite well. This is because some airline travel is essential, and airlines that have taken care of their finances and are in a position to cut fares in 2015 could attract customers from the competition.

**WestJet Airlines Ltd.** (TSX:WJA) is a perfect example of an airline that can do this. When oil prices were significantly higher than they are right now, WestJet's CEO said that the company was in the position to lower fares.

**2. Grocers**

When it comes to grocers, fuel costs are a significant expense in terms of the production and transportation of food. Now, the grocery industry is competitive and grocers could get into a competitive battle slashing prices and trying to attract consumers to their stores, and if history repeats itself this aggressive competition in this industry can actually be bad for the grocer's bottom lines; however, this competition exists at all times, regardless of the price of oil.

The important thing to look at when consumer spending dives is what industry's sell products/services whose demand does not completely evaporate when consumers go through tough times. Simply put, grocers benefit from the fact that people need to eat. If people are going to cut back on their spending on food I expect the first thing to get cut will be meals out, and if consumers curb their dining out, they will instead opt to prepare their meals at home, a positive for the grocers. Canada's two main grocers are **Loblaw Companies Limited** (TSX:L) and **Metro Inc.** (TSX:MRU).

**3. Low-cost oil producers**

We all know they famous adage: "Buy when there's fear and sell when there's greed." When it comes to oil, there is a heck of a lot of fear right now.

Buying oil stocks in 2015 is by no means a safe investment. There could be a lot more pain before there is gain, but the important thing to remember here is that oil prices will not remain low over the long run, so if you want to buy a company near the bottom, then right now could be a good time. By the time oil prices consistently start to trend up, the stock values of many oil companies will already be well on their way to recovery.

Oil and oil stocks are highly speculative investments, and right now the pain in oil stocks is partly fundamental, and partly sentimental. Once oil prices trend higher the sentimental sellers will jump into the market rapidly, hoping to catch the next big wave.



As prices remain low, there is also the potential for some consolidation in the industry, and those oil producers with low costs and a bright future can scoop up some great assets. My top pick in the oil space is low-cost producer **Canadian Natural Resources Ltd.** (TSX: CNQ)(NYSE: CNQ).

**CATEGORY**

1. Investing

**TICKERS GLOBAL**

1. NYSE:CNQ (Canadian Natural Resources)
2. TSX:CNQ (Canadian Natural Resources Limited)
3. TSX:L (Loblaw Companies Limited)
4. TSX:MRU (Metro Inc.)

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