Can Canadian Investors Benefit From Hurricane Irma?

Description

Over the past week, many people living in parts of the southern United States have been displaced from their homes as yet another natural disaster hit the shore. Her name is Hurricane Irma, and the expectation is, the damage will be very severe, costly, and take years to fix.

In response to this event, investors, as always, should stop and ask themselves if this will have a positive or negative impact on their holdings over the long term and how best to deal with it. In most cases, the investments made will be negatively affected in a very small way. This is referred to as systematic risk, as it effects everyone in the generalized stock market. The opposite is referred to as unsystematic risk, which investors take on when they put too many eggs in one basket. Case in point: the economy of western Canada.

For investors who'd invested in companies based in Alberta several years ago, things have not gone very well. In spite of continuing to make positive earnings in every quarter, shares of **Canadian Western Bank** (TSX:CWB) declined from over $40 per share in 2014 to less than $24 per share in the past year. Currently priced near $30 per share, the fortunes of this localized financial institution seem to shift more in accordance to the price of oil than of the underlying fundamentals of the overall business.

When considering the ramifications of Hurricane Irma, the effect on oil prices may not be terrible for investors. As many oil tankers have not been able to empty their shipments to the refiners (who were shut down), the supply of oil is currently lacking in many areas; this could become a serious problem if it is not addressed very soon.

The solution may just be the Albertan oil sands. Alberta can produce more of the natural resource than is needed by Canadians, so the potential for investors may be coming in from the possible resurgence in Canada's oil capital. For investors seeking a higher-risk reward, there are many names in the sector, including **Baytex Energy Corp.** (TSX:BTE)(NYSE:BTE), which could offer a large payoff should oil prices turn higher. As an oil-discovery company, the risk and reward of this name is among the highest in the industry.

For those willing to accept a lower reward, Canada's pipeline companies, such as **Pembina Pipeline Corp.** (TSX:PPL)(NYSE:PBA), may just be the best fit. The company, which holds a low beta, pays a consistent 5% dividend yield. Pembina is expected to make investors with lower expectations very happy for a long time yet. And with a hurricane wreaking havoc, moving oil via pipeline may be the solution.

For investors wanting to ride the tailwinds of Hurricane Irma, there are clearly a number of options available on the Toronto Stock Exchange. As always, however, investors have to be careful not to get sucked into the storm!

CATEGORY

1. Dividend Stocks
2. Investing

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