



The Biggest Risks Facing Investors in 2018

Description

With close to a decade removed from the Great Recession of 2008, investors have had good fortune shine on them for quite a long time. Although there are always a number of market vicissitudes that impact the value of assets over the short term, the past decade has still managed to be a reasonably good one for investors who have remained patient.

Going into 2018, there are a number of risks that investors and consumers alike need to be aware of, as the markets have had a very healthy multi-year run. We'll begin with oil, which is a big driver of the Canadian economy; if prices were to decline substantially, companies such as **Crescent Point Energy Corp.** (TSX:CPG)(NYSE:CPG) could tumble along with it, whereas other securities that are more defensive will have a more tepid [pullback](#). An example of this is none other than **Pembina Pipeline Corp.** ([TSX:PPL](#))([NYSE:PBA](#)), which may be the best solution for those seeking exposure to oil, but who are afraid of a major pullback.

The second major risk for the Canadian economy is a substantial increase in the price of oil. Although this would be good for investors, as share prices in the sector would increase substantially, the net effect on Canadians may be the tightening of disposable income available for small purchases. Should the price of oil head higher, the biggest risk may be for shareholders of companies such as **Restaurant Brands International Inc.** ([TSX:QSR](#))([NYSE:QSR](#)), as consumers will need to cut back from a large coffee to a medium coffee, or from two coffees per day to one.

As shares currently trade at a trailing price-to-earnings multiple of 85 times, and Tim Hortons has been in the news for many of the wrong reasons over the past few weeks, shareholders could be the ones left holding the bag.

The third major risk comes in the form of a cryptocurrency crash. Although this "asset class" was not known by many investors one year ago, the wealth that it has created has impacted the stock market more than average investors realize. Although many investors have put only a small amount of their total capital into these new currencies, their huge increases in value have made a number of investors very wealthy.

In many circumstances, one outsized holding can lead to re-balancing which impacts the entire stock market. There is no question that investors in publicly traded securities have indirectly benefited from this huge increase in cryptocurrency values.

Following the same premise, the large increases in marijuana stocks could have a similar effect on the overall market. A huge pullback could be a bad thing for the entire market.

With so many risks facing investors, the best approach to investing could be the most [conservative one](#). Only time will tell.

CATEGORY

1. Dividend Stocks
2. Investing

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2. NYSE:QSR (Restaurant Brands International Inc.)
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