Amid a Trade War, Canadian Investors Can Take Refuge in Oil

Description

With President Trump tweeting repeatedly, investors and markets alike are finally starting to feel the effects. Going far beyond running shoes, the tariffs that are being imposed by U.S., China, and now Canada (after another round), will have deeper impacts that we realize.

For many companies that have been doing very well, the challenge lies in planning for the future. How can output be planned for the coming months and years if the cost of product is to increase by up to 20% once the product reaches the client?

What does this mean for investors?

In spite of a booming economy, there may be a substantial amount of pullback once companies realize that they will be paying more money for many of their input products. To boot, many companies who were at risk have most probably taken steps to purchase a greater amount of what they need in order to avoid the higher costs down the road – essentially increasing their consumption.

Clearly the economy is not doing as well as many believe!

Investors therefore must find a place to put their money in order to allow for growth, while many consumers and companies hit the pause button and wait for guidance. In the meantime, oil continues to rally amid increasing consumption and a lower level of supply than the market previously experienced during the past two years. Essentially the oil market is coming back into balance.

For investors seeking to ride the wave, the expression "the trend is your friend" has never been more accurate. At a current price of $13.75 per share, **ARC Resources Ltd.** (TSX:ARX) seems to have hit a double bottom and is ready to breakout once again. With a 52-week low close to $12, the company continues to pay monthly dividends of $0.05 per share, offering investors a yield of almost 4.5%. At the current level, both income investors in addition to those seeking capital appreciation can take a bite out of this name with a lot of promise amid rising oil prices.

The second name to consider (at least for income investors) is none other than **Pembina Pipeline Corp**. (TSX:PBA)(NYSE:PPL), which offers a healthy yield of no less than 5% amid rising oil prices.

What has set this name apart from a number of other competitors in the oil space is just how well shares have performed over the past few years. In an environment in which many companies are barely able to get by, the pipeline has held its own while continuing to maintain very low volatility in a market known for large movements.

With the expectation that oil prices will remain high until at least mid-2019 (due to the oncoming IPO of Saudi Aramco), investors can invest in this market without worrying about the long-term outcome. The only question is how well things will turn out.

CATEGORY

1. Energy Stocks
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TICKERS GLOBAL

1. NYSE:PBA (Pembina Pipeline Corporation)
2. TSX:ARX (ARC Resources Ltd.)
3. TSX:PPL (Pembina Pipeline Corporation)

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