How to Buy Income Stocks This Week and Avoid Risk

Description

Two key developments this week have highlighted the rising level of uncertainty in the markets, with the spectre of a global recession once again threatening to materialize. Here’s what the last five days of trading could mean for the income investors adding to stock portfolios this week.

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Expect higher oil as tensions flare

The ongoing geopolitical unrest in the Middle East saw a spike in oil prices of up to 4.9% heading into Friday, a trend that could continue should the situation worsen. The risk of bottlenecking in the Persian Gulf is not a new concern by any means, though energy investors had been digging in for a protracted period of lower oil. That could go out of the window now, with oil prices likely to carry on spiking.

Oil and gas companies also saw their share prices rise correspondingly, with movements across the board soon after the Baghdad strike. Brent crude came close to hitting a 5% spike, as the market gauged the likelihood of retaliation.

The odds of such an attack in the coming days are currently above 50%. Energy investors may remember a similar scenario that played out back in September and which similarly saw oil prices spike . This time around, the effect could be more significant and more prolonged.

Brexit gambles with the economic world order

With China putting the kibosh on cross-border listings, investors holding out hope for closer ties between Shanghai and London had little to cheer about this week. Tensions have been high between China and Britain over the ongoing protests in Hong Kong at a time when Brexit requires stronger international ties. The Shanghai-London Stock Connect initiative would have been a key post-E.U. boon.

China is likely to continue courting the U.S. and the U.K. through 2020, with the phase-one deal marking a much-needed reprieve from the grinding Sino-American trade war. Boris Johnson will find the spotlight upon him as a post-Brexit Britain negotiates with Beijing in the coming weeks and months. The Hong Kong protests are likely to feature highly on the agenda in East-West developments.

The TSX is rich with options for the low-risk dividend-growth investor. From top utilities companies to media giants to rocketing materials, dividend investors looking to de-risk but still create wealth in their portfolios should consider stocks such as **Brookfield Infrastructure Partners**, which offer a diversified play on steady passive-income growth.

Meanwhile, market-leading methanol producer **Methanex** could be a high-growth investment in the 2020s if tailwinds from China and bottlenecks in methanol work in the company's favour. Both stocks cover energy in a low-exposure manner and pay satisfactory dividends, with Brookfield returning 4% and Methanex yielding 3.7%.

The bottom line

Oil could hit $80 a barrel if the situation in the Middle East directly impacts the energy sector. Meanwhile, Brexit could be off to a faltering start at the ened of the month if key deals with non-European countries fail to materialize. Strongly diversified stocks are therefore the safest way to play the TSX for income-focused investors right now.

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