



3 Major Investor Takeaways as Uncertainty Dominates the Markets

Description

Unrest in Iraq is driving conversations among analysts and already impacting the markets, as investors react to the first major black swan event of the 20s. Never mind oil stocks, though; gold is looking a better buy as risk ramps up.

As energy companies lose and gain in a choppy market amid ongoing tension, let's take a look at some of the biggest takeaways for investors eyeing the ratcheting uncertainty in the Middle East.

Financials are showing their cyclical side

Bank stocks slumped Friday, as uncertainty soured the markets. Across the board, big names in money lending were dipping into the red, from **CIBC**, **BMO**, and **Scotiabank** to **Bank of America**, **JP Morgan Chase**, and **Goldman Sachs**. The American banks were hardest hit, lacking the solidity of the Canadian economy powerfully bolstered by our energy sector. European banks like **Barclays** fell even further.

2020 is looking like gold's year

A basic rule of thumb in commodities investing is that unrest equals higher gold prices. Investors looking to get into gold miners also have a solid play in stocks such as **Wesdome Gold Mines**, a Canadian pure play on the yellow metal that has seen three decades of continuous operations in this country.

Pundits were already on bullish on gold's outlook, with analysts on recession watch in 2019. The first few days of the new year have seen that turbulence bubbling up, as investors retreat *en masse* into quality precious metals and mining stocks.

Indeed, with an [unruly Brexit](#) still on the cards for the end of January, 2020 could well see the return of the global downturn narrative. Some analysts pointed out the risk for a widespread correction when key indicators rang alarm bells last year from an inverted yield curve to weak manufacturing data.

Higher oil fears could sway the markets

One of the most feared outcomes of increased tensions in the Iran-Iraq region is a bottleneck at the Strait of Hormuz and the [potential for ratcheting oil prices](#). It's not beyond the realms of possibility that increasing unrest leads to per-barrel prices in the \$80 zone. Energy companies may see gains if a sustained positive trend emerges, though at the moment the sector is not moving significantly.

Oil spiked between 4% and 5% after the initial incident last week, mirroring the rise in prices last year when more than 50% of Saudi oil production was impacted. The flipside would be a delayed, measured response from Iran and falling oil prices caused by oversupply. Take a middle route through these two extremes, and it's unlikely that the hydrocarbon industry will see a meaningful rally this year.

The bottom line

Don't bet on higher oil, stay vigilant on your bank stocks, and increase your exposure to gold. With the markets twanging with risk, money lenders are less of a safe haven than precious metals right now. Investors should also be taking a defensive approach to risk at the moment, favouring the classic spread of safety asset types that includes utilities, consumer staples, apartment REITs, and precious metals.

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