Here's How Stock Investors Are Viewing the Global Tensions

Description

Two asset types have shot up since the instigation of the explosive situation in the Middle East last week: oil and gold. There's a logic behind these movements, however.

Momentum investors are betting that oil prices will rocket in the event that the tension in Iraq boils over, with the possibility of a bottleneck at the Strait of Hormuz. Gold, on the other hand, is a classic defensive play in times of added uncertainty.

From black gold to gold miners

Oil shot up around 5% at the initiation of the Iran-Iraq crisis, mirroring last year's bottlenecking of Saudi oil. The reaction is a classic one, and if the situation worsens – as the markets are clearly expecting – then per barrel prices could potentially soar into the $80 range.

Prices popped the $70 bubble at the start of the week, with Brent jumping on flaring tensions worsened by the international East-West shouting match.

Key stocks include **Vermilion Energy** and **Newmont Goldcorp**. An oil stock that has seen strong performance even with lower oil prices, Vermilion repays investors with a famously rich yield that's currently in the 13% zone.

Newmont, meanwhile, is the largest producer of gold in the world, and represents an extremely solid play for steady long-term capital appreciation plus low-risk compounding dividends.

One of the most popular Canadian oil stocks on the **TSX**, Vermilion could benefit from higher oil prices in the short term. With West Texas intermediate trading at prices not witnessed since September, Vermilion could pick up gains this week on stronger oil. With its share price strongly correlated to WTI, times could be good for Vermilion.

Newmont's small dividend is yielding around 1.3% and while it's nowhere near the very rich percentage enjoyed by Vermilion investors, the gold miner's potential suitability for an extreme long, low-risk, buyand-hold investment means that any passive income at all could become a moderate nest egg over the years.

Risk is going out of fashion — fast

Banks took a hit last week as investors shuffled towards a bearish outlook for the global economy, and arguably remain too exposed to the market to offer a high level of long-term safety.

Renewables saw an uptick in positive momentum as the fashion for green economy businesses was fed by a very visible reminder of the climate crisis as Australia burns.

At the extreme end of risk, cannabis stocks fell further out of favour, offering value advantages but leaving pundits with memories of the dotcom bust.

Where cannabis differs from the dotcom escapade, however, is product. Unfortunately, there’s too much of it being produced by too many actors amid an outlet shortage. While market leaders may emerge, for now, the upside is patchy.

The bottom line

With the E.U. facing recession and slowing growth in North America, a wider downturn beckons. Auto stocks are grinding lower with weakening manufacturing data, and the oil sector is oscillating between tension risk and supply glut concerns.

As of Monday, rhetoric was the weapon of choice, though with markets fraught, an escalation between East and West could see massive turbulence.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing
4. Metals and Mining Stocks
5. Stocks for Beginners

PARTNER-FEEDS

1. Business Insider
2. Msn
3. Newscred
4. Sharewise
5. Yahoo CA

Category

1. Dividend Stocks
2. Energy Stocks
3. Investing

4. Metals and Mining Stocks
5. Stocks for Beginners

Date
2025/07/19
Date Created
2020/01/08
Author
vhetherington