Stock Market Crash: Avoid Canadian Oil Assets

Description

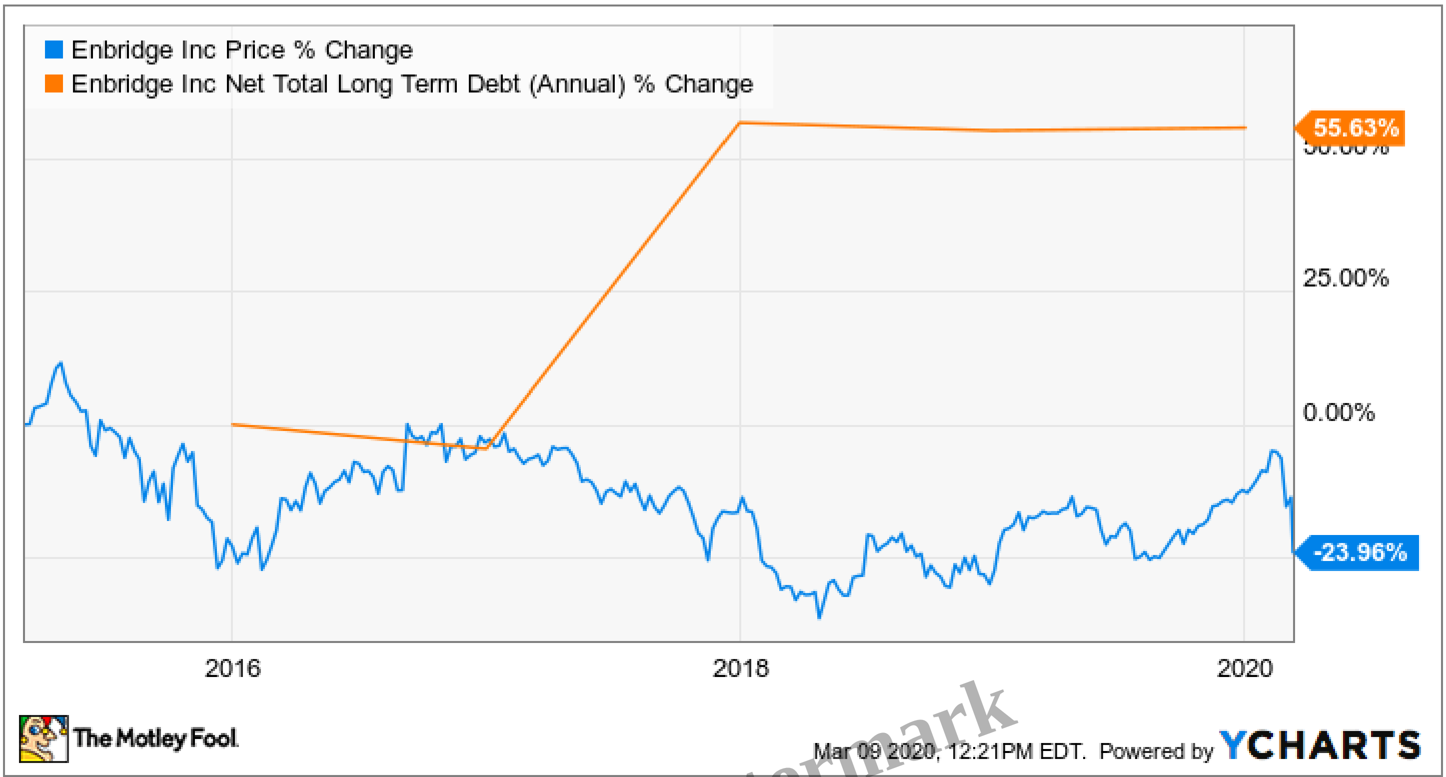
Saudi Arabia began a vicious oil price war with Russia on Sunday, sending the stock market into historic market sell-offs. On Monday, prices for Arab Extra Light and Arab Heavy fell 45% to $29.05 and $27.70, respectively. Meanwhile, Russian crude oil dropped 33% to $34.97 per barrel, sparking concerns of a stock market crash around the world.

North American oil companies like **Enbridge Inc** (NYSE:ENB)(TSX:ENB) and **Suncor Energy Inc** (TSX:SU)(NYSE:SU) stand to lose the most from the large drop in oil prices. Canadian and U.S. oil prices dropped by $4.62 this morning in reaction to the change in global oil prices.

Oil companies in Canada and the U.S. face a higher cost of production and need higher prices in order to maintain financial solvency. The oil price war between Russia and Saudi Arabia may spark a string of bankruptcies in the oil sector. As a result, changes in stock prices in the oil and gas industry led the market sell-off on Monday.

Enbridge stock’s long-term debt worries investors

Enbridge stock lost nearly 13% of its value today, selling as low as $27 per share. Shareholders will be weighting the debt levels of oil stocks heavily when making buy-sell decisions. Unfortunately, for Enbridge, its debt levels may be too high for investors during this bear market.



In 2018, Enbridge increased its net total long-term debt by 55.63% from where it was five years ago. Canadian investors will find that Enbridge's recent market success may prove to be its greatest weakness today.

If you are looking for stocks to buy, Enbridge may not be the best stock on the **Toronto Stock Exchange**. Instead, look for industries that will most benefit from a drop in oil prices like transportation and railroads. Canada's two major railroad stocks, **Canadian Pacific Railway** and **Canadian National Railway**, are great buys for 2020 during the market volatility.

Suncor Energy to suffer from fall in oil prices

North American oil companies like Suncor Energy have barely recovered from Iran's 2015 re-entrance into the oil market. In 2015, after the international community removed oil sanctions on Iranian oil, Iran flooded the market with a strong supply increase, giving consumers a hefty discount at the gas pump.

Stock market crash fears sparked by both the oil price war and the effects of a coronavirus pandemic are hitting Suncor hard today. Since 2015, Suncor has increased its long-term debt levels by 39%. The drop in oil prices raises concerns that Suncor might not be capable of managing its debt obligations in a new year of low oil prices.

In response to these concerns, Suncor investors began dumping its stock, driving the price down to a new 52-week low of $18.08 per share. By the afternoon, the price had rebounded back to $20.61 per share amid the continued market sell-off. Nevertheless, Canadian shareholders shouldn't count on the value of this stock rising in the next year.

Instead of investing in Suncor, Canada has a booming transportation industry that can benefit from the oil price war between Saudi Arabia and Russia. **TFI International Inc** is a fantastic transport and logistics company in Canada that you might consider buying during the dip in stock prices.

Buy the right stocks during the market sell-off

Now is a great time to buy stock in transportation stocks that stand to benefit from lower operating costs in response to the drop in oil prices.

Just don't let the market sell-off trick you into believing that oil stocks are value buys. The oil and gas industry is too volatile and risky for everyday Canadian investors saving for retirement. Controlled by unpredictable geopolitical forces, buying stock in oil and gas is pure speculation.

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