TSX Stock Sell-Off: Buy or Sell This Sector in March?

Description

It's a tough time for Canadian oil investors. A portfolio packed with fossil fuel producers may feel unsafe right now. Even the highest-quality companies could be seen as a liability. Indeed, it must be tempting to sell those oil stocks and switch teams with the renewable sector going mainstream. Let's take a look at the pros and cons amid the **TSX** stock sell-off.

Check your exposure during the TSX stock sell-off

Oil stocks are looking like yesterday's heroes. Even perma-bull Jim Cramer has changed his tune on fossil fuels. With oil down 30% over the weekend, an ongoing TSX stock sell-off seems likely.

The headwinds facing oil producers, as well as midstreamers like **Enbridge** (TSX:ENB)(NYSE:ENB) are suddenly growing much stronger.

Oil is one of the pillars of the economy for Canadians, even amid a deepening TSX stock sell-off. And the sector is likely to remain part of domestic portfolios for some time yet despite low oil prices.

A general sell thesis makes sense for the international investor. Big names in oil should be trimmed rather than sold entirely.

Buy, trim, or hold? It all depends on how invested you are. Is your portfolio is overstuffed with fossil fuel stocks like Enbridge? There's a strong case for easing off the gas if that's the case.

However, if you don't have any exposure to Canadian oil, there may be a case for buying some cheap shares. If you're neither over- or underexposed, the consensus is to keep calm and carry on holding.

Buying into the competition

On the flip side, green energy stocks are still cheap, meanwhile. The general energy investor should take a look at popular names like **Northland Power**. Offshore wind energy is likely to carry on growing in the coming years. Northland Power is an especially strong play for exposure to international wind markets.

But there’s another important quality that goes beyond data and buy signals. This quality is peace of mind, something that’s often overlooked. Peace of mind is much sought after and is the opposite of uncertainty, the defining characteristic of today’s markets.

Compare Enbridge, with classic defensive stock **Fortis** for example. Fortis is a low volatility utilities play that adds reassurance to a portfolio, thus reducing uncertainty.

Enbridge, on the other hand, introduces anxiety into a portfolio. From the Mainline system brouhaha to pipeline controversies, it’s a nerve-wracking name. The risk-averse, long-term investor seeking low-risk energy exposure may therefore want to choose Fortis over Enbridge.

Green energy, meanwhile, is becoming a major international growth trend. It’s yet another oil headwind as green economy industries near cost-efficiency.

The bottom line

The TSX stock sell-off is likely to be staggered, and investors will see a series of negative plateaus driven by headlines. The worsening coronavirus outbreak will generate the majority of these plateaus.

Oil and pipeline investors may therefore want to trim their holdings. New investors and contrarians, conversely, have the chance to buy up oversold stocks. All comers also have a strong play for growth in cheap green energy stocks.

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