



2 Top Tricks for Oil Stock Investors in a Bear Market

Description

A bear market is upon us. And it happened in record time. But what does it mean for Canadian oil stock investors? Two major headwinds have hit the sector hard. The coronavirus and climate change have significantly weakened the thesis for oil stocks. Even the ever-bullish Jim Cramer can't get behind them anymore.

It's a slightly different story for Canadians, though. Oil is one of the [cornerstones of the Canadian economy](#). If you give up oil stocks, you might as well ditch those Big Five bankers while you're at it. Both sectors are famously top-tier investments when it comes to the TSX.

Oil stock investors should start trimming

You don't need to ditch those high-quality oil stocks all in one go. Fossil fuels are one of the mainstays of the Canadian economy, after all. Besides which, panic never helped anyone when it comes to the stock market. But there is certainly a case for [trimming your exposure](#) to the black gold right now.

Do you hold two pipeline companies in your portfolio? Considering trimming a little off each or selling the more overvalued. Has a company been underperforming for several consecutive quarters? Sell a few shares and free up cash. You'll want that liquidity to buy up better quality stocks when the market bottoms out.

Buy into oil sector weakness

Now is a good time to start shopping. It makes sense to buy when the market is down and sell when it's up. Contrarian investing is the classic "buy low, sell high" strategy. Oil stock investors should make use of the impending bear market, therefore. It's still early days, so overvaluation still exists.

The summer in particular could be a watershed period. This is the time when the standard flu season usually peters out. The public may have this at the back of their minds, therefore, when it comes to the coronavirus outbreak. Markets may therefore take another negative turn if the virus is still rampant in

the summer months.

There are some astounding value opportunities. Check out **Vermilion Energy** if you're a true oil stock bull. The company plunged 33% during Monday's carnage, making for a 54% loss since the sell-off began last week. Part of that dip was caused by the company cutting its dividend. Oil bulls more interested in capital gains could buy this name now and reap speculative returns in the long term.

Stocks like Vermilion are great value buys right now for contrarian oil investors. The name has lost 80% in 12 months, making for a speculative long-term side play. Opportunities like these come once in a lifetime, with bigger names also on sale right now. **Canadian Natural Resources** is down 33% during the sell-off. The stock is popular in better times, and income-focused contrarians can lock in an 8% yield.

The bottom line

This is the time to trim risk from an oil stock portfolio. Diversification is key to building an all-weather basket of oil stocks. Investors should also check their exposure and consider buying into weakness as the oil sector takes a battering.

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Date

2025/07/04

Date Created

2020/03/11

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