3 Industries to Avoid Like the Plague in 2020

Description

This year's off to a dreadful start and the way things are going now, it's difficult to not see a recession coming at some point in 2020. For investors, it means that there could be more volatility and bearishness to come. There are three industries in particular that investors should avoid in 2020, or at the very least, be extra careful and diligent before deciding to invest in them:

1. Retail

Knowing how long the coronavirus may last is anyone's guess at this point but one thing's for sure: it'll have a significant impact on retailers in 2020. Soft performances in March, April, and however longer will translate into softer earnings reports to come. Not only that but there can be ripple effects throughout the industry where companies with tight margins have to shut down some of their locations.

A chain like **Canadian Tire Corporation Limited** (TSX:CTC.A) that attracts a lot of people who are taking on home renovation projects and non-essential tasks, is more likely to experience a greater slowdown. Grocery stores provide consumers with necessities, but Canadian Tire doesn't. That's why it's more of a discretionary expense and an easier one to justify cutting back on. And the longer that the virus keeps people away, the more cash the company will burn through and the higher the losses that it may accumulate.

The danger is that at some point, whether it's Canadian Tire or other retailers, they may have to start cutting their losses, and that can mean shutting down stores to save on expenses. They may also decide to reduce capital spending, which can impact growth in future quarters, extending the impact of the virus well into 2021. While Canadian Tire would have a legitimate excuse for disappointing quarterly results, that's not going to strengthen its share price.

2. Oil and gas

Avoiding oil and gas is an obvious choice for many reasons. Shares of **Enbridge** (TSX:ENB)(NYSE:ENB) were finally gaining ground as the company received news that it can move forward on its

Line 3 pipeline project. And then investors learned of an oil price war involving Saudi Arabia, Russia, and effectively, the rest of the world. Investors have already had plenty of reasons to be down on Canadian oil gas stocks. Protests and difficulty getting pipelines approved have kept many investors away. A low price of oil means that we're headed for even more uncertainty. Companies are starting to cut back spending. But if oil prices remain low, more drastic measures will be taken.

The oil and gas industry is likely to see more layoffs and bankruptcies this year. The industry is battered and beaten, making Enbridge and many other oil and gas stocks very risky investments today. With a very negative outlook, it's one industry investors should stay far away from, despite its attractive dividend.

3. Airlines

Warren Buffett may not be avoiding airline stocks, but he's also a billionaire who can afford to incur some losses. For regular investors, buying shares of **Air Canada** (TSX:AC) could prove to be a dangerous investment. Airlines are cutting back on their operations and could be hit even harder than retail. Countries are locking down travel during the COVID-19 pandemic and there are going to be fewer planes in the skies.

Airline stocks could suffer big declines in 2020 even if the virus is contained within a couple of months. The busy summer travel season is only a few months away. If health officials gave consumers the green light, they would still need time to make travel plans. Air Canada and other airlines would also need time to make the necessary resources available.

There's a lot of lead time involved for both consumers and airlines when it comes to travel. That's bad news for Air Canada stock as it means the impact of COVID-19 is likely to last for several months, at least.

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