Canadian Energy Stocks: Should Investors Buy, Sell, or Hold?

Description

Investing is an emotional business — and sentiment is therefore important. Right now, investor sentiment is swinging wildly between fear and greed, which can prompt investors to make big mistake. Some might be tempted to try and time the bottom. On the flip side, investors may be waiting to sell the peak. But this means that investors are missing out on cheap energy stocks and rallies.

This week, the **TSX** rallied historically. The move was in line with other North American markets, such as the tech-heavy **NASDAQ**. It's a classic example of the heart ruling the head, however.

The market is looking for guidance, and leaders were proclaiming this the peak week of the coronavirus infections. The situation is ongoing, though. And energy investors in particular are driving these oscillations.

Energy stocks are getting levelled out

Those dividend energy stocks that looked so safe at the start of the year? Turns out it's going to take more than regulated electricity suppliers to hedge a coronavirus recession. This is why diversification is key. Investors should consider putting together an emergency basket of coronavirus stocks that are proving resilient.

Because it isn't just oil stocks that investors need to be wary of. It turns out electricity could prove a risky area, too. Electricity usage is falling amid the coronavirus outbreak. The time has come for energy investors to safety-proof a portfolio for a coronavirus recession or even a depression.

First of all, though, it's important to recognize the fact that big moves are bad right now. Don't bet the farm, but don't sell it either. Forget the rallies. They're a smokescreen and they're coming too early.

With the markets likely continue heading south, investors should use these rallies to trim weaker energy stocks from their stock portfolios rather than try to chase the upside.

Conversely, energy investors have value opportunities when the markets dip. How should this situation be played? First, figure out which names you like.

Which companies have you always wanted to hold in your long-term stock portfolio? Now take each eventual position you want to have and split it into four to six portions. Buy each portion on deeper weakness.

Enbridge is one of the country's biggest energy stocks. It's doing a lot of heavy lifting as the country remains under varying levels of quarantine. But it's a name to trim on rallies.

The outlook for fossil fuels is growing increasingly bleak. Even big names like Enbridge could be pared back, depending on the size of your position. The same goes for names like **Suncor Energy**, down 45% in 12 months.

The bottom line

OPEC+ has agreed to slash in oil production by 10 million barrels a day. The initiative takes hold starting in May. Meanwhile, oil stocks are rallying on the news.

Whether you buy, hold, or trim depends on your position in any one stock, though. The case for buying the dips and holding long-term is still a strong one, but diversification is key.

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