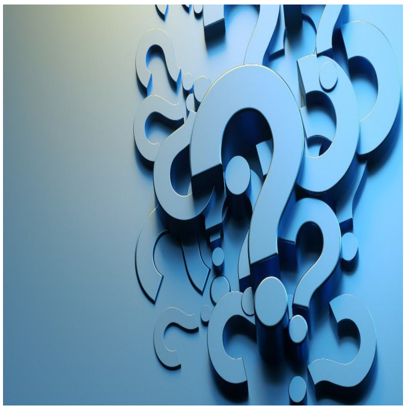

Oil Stocks, Airlines, or ETFs: Where's the Best Place to Invest Your Money?

Description

As we head into May, many people are wondering where to invest their money. Stocks are still broadly down from their March lows, to the point that some companies are practically being given away. In this environment, buying stocks seems like a no-brainer. While the COVID-19 pandemic is hurting business, it's not going to destroy most industries. Companies that can survive today should rise in value tomorrow.

But that still leaves the question of what to buy. In today's market, there are many beaten down stocks trading for less than their book value. Airline stocks and oil companies, in particular, have reached incredibly cheap valuations. But with COVID-19 ravaging the world, these industries' futures are very much up in the air.

While buying beaten down stocks is always tempting, it entails serious risk of loss. In this environment, investors may wish to consider safer options. In this article, I'll be taking a look at the risks facing oil stocks and airlines, and contrast them with a safer bet – ETFs.

Oil stocks

The big risk facing oil stocks right now is low demand. With airlines and manufacturing plants shut down, major buyers are consuming less petroleum. This means lower sales for major oil companies. Exports to the U.S. are particularly likely to suffer. Oil has been accumulating in storage tanks in the U.S., which could mean lower petroleum sales to American buyers. Companies like **Suncor Energy**, that sell their own gasoline directly to Canadian consumers, may be better off than other energy producers because of this.

Airlines

Airlines like **Air Canada** (TSX:AC) have been among the equities hardest hit in the recent market volatility. With air passenger travel down as much as 95%, the airlines are bleeding cash.

In March, Air Canada announced that it had cancelled 90% of its flights. In April, it announced that it was cancelling more flights to the United States. While the company's announcement on U.S. flights did not include an update on the percentage of flights cancelled, it stands to reason that it is now higher than 90%. Few if any of the routes cancelled in March were re-instated, so the additional April cancellations imply a higher total.

Ultimately, nobody knows how long it will take for passengers to feel comfortable flying internationally again. Such uncertainty means airline revenue could be in the gutter for a while. This makes airline stocks very risky plays for retail investors with no in-depth industry knowledge.

ETFs

Having discussed the risks inherent in oil stocks and airline stocks, we can move on to the safer play mentioned earlier:

ETFs.

Index ETFs offer broad diversification, and exposure to all major sectors. An ETF like the **iShares S&P/TSX 60 Index Fund** offers investors heavy exposure to banking, utilities, and tech. It will also get you some exposure to oil stocks and airlines, in a more diversified package that mitigates the risk.

By holding such ETFs, you get broad exposure to industries that are thriving right now, as well as those beaten down bargains. So you get the best of both worlds. If you're not an expert, they are the best investments to buy today.

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2. TSX:XIU (iShares S&P/TSX 60 Index ETF)

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