TSX Investing: Buying Top Stocks for a Biden Presidency

Description

Never mind Monday's rally. The stocks that took off are not necessarily the same ones that will prosper under a Joe Biden government. Hydrocarbon stocks rallied hard at the start of the week, for instance. This is not something to expect in 2021. Unless, of course, the pandemic really does end.

But even for investors who took **Pfizer's** good news and ran with it, an end to the pandemic will not reverse the outlook for big oil. Indeed, three main themes have emerged this week. Chief among them is that long-term investors should start trimming oil stocks.

Should you trim oil stocks and go green?

Midstreamers such as **Enbridge** will likely hold on to their wide-moat dividend stud status long term. However, oil producers themselves may be in for a rocky ride. The multi-year thesis for fossil fuels was already faltering. 2020 saw oil hit an historic low point, with per-barrel prices briefly turning negative. At one point, it was less expensive to buy a barrel of oil than a roll of toilet paper.

Those days are likely in the past. But there's more than one reason why a Biden presidency might actually work out well for oil stocks in the near term. For one thing, the isolationist posturing of the incumbent administration will be reduced, which may relieve some of the international tension weighing on consumer sentiment. Also, while Biden's America may transition away from oil, the energy market itself may preserve the status quo in the near term.

So, while the *long-term* outlook for oil just got a little dimmer, it could be business as usual for oil stocks in the immediate future. However, long-range investors may want to free up capital by trimming such names as **CNQ** nevertheless. That liquidity can then be put to use by diversifying in green energy stocks. Names like **Algonquin Power & Utilities** and **Northland Power** are key stocks in this space.

How about those pot stocks?

Build a speculative position in cannabis stocks, but only if they have strong ties to U.S. markets.

Consider **HEXO**, with its **Molson Coors** deal. HEXO was up +10% Monday, as the markets woke up to a potentially revolutionized pot stock space. Other pot stocks were also rallying hard, especially those with key entry points into the U.S.

In general, though, Canadian cannabis could be inched out over the long term by out-competing U.S. outfits. Given a lacklustre post-legalization retail environment, Canadian pot stocks investing has been beset with disappointments. There could be some TSX pot stock upside for the foreseeable future, though. And big names in strong positions could corner enough market share south of the border to remain viable investments.

Stocks such as **Aurora** — which only recently looked too high risk — are suddenly rocketing. Friday saw 70% gains at one point, while Monday saw the stock up nearly 20%. Its recent earnings beat came at just the right time to pick up some of that Biden momentum. Investors should wait for a pullback before buying — and only after doing their homework with regards to the prospects of the American legal marijuana market.

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