



Russia Attacks Ukraine: What Now?

Description

Overnight, Russia officially declared war on Ukraine. Russian forces are crossing the border and attacking military bases across the country as I write. Unsurprisingly, global capital markets have taken a deep dive. Stocks markets from Australia to Germany dipped this morning. North American stocks could suffer the same fate.

Investors in Canada should start preparing for a prolonged conflict and volatile economic outcomes. Here's how you can prepare your portfolio for the rough ride ahead.

What happens next?

There is little clarity on what Russia's long-term strategy in Ukraine is. However, the Russian government claims these military operations are an effort to "demilitarize" Ukraine, not occupy it. Meanwhile, Western governments have ruled out putting troops on the ground to defend the country.

That means much of this conflict could play out in capital markets, commodity markets, and cyberspace. Western allies have already imposed severe sanctions. That could compel Russia to constrain supplies of oil and gas, boosting its revenue and retaliating against the West.

The price of crude oil has already crossed US\$100. Prices could surge much higher in the weeks ahead. Higher fuel costs lead to higher inflation, which is why the stock market is tumbling right now. The S&P/TSX Composite Index is down 0.99%. Nearly every sector from tech to retail has suffered a drawdown.

However, some sectors are serving as safe havens. Investors could consider adding exposure to these conflict-resistant assets in the near term.

Conflict-resistant assets

Energy and gold are the only two sectors that seem to be withstanding this correction. The price of

crude oil, as previously mentioned, is trading near a record high. This is a tailwind for [energy stocks](#) such as **Tourmaline Oil** ([TSX:TOU](#)).

Calgary-based Tourmaline is Canada's largest natural gas producer. The stock is already up 524% over the past two years. Today, it's trading 3% higher. Despite this performance, the stock is still undervalued. It trades at just eight times earnings per share and offers a 1.55% dividend yield.

Tourmaline has been generating so much cash that it can't give it back to shareholders fast enough. It has announced several hikes and a few special dividends in recent months. If energy prices remain elevated or surge higher, this dividend bonanza will continue.

Gold stocks

Gold is the most traditional safe haven. It hasn't been very helpful during the pandemic but is surging higher today on the prospect of war. Gold is currently trading at a nine-month high of US\$1,974.2 per ounce.

Unsurprisingly, this is a tailwind for gold miners like **Barrick Gold**. The stock is up 3.4% this morning, which is impressive when you consider the rest of the market is deeply red.

Cautious investors seeking a safe haven should consider adding exposure here.

Bottom line

War is unpredictable. Now that it has been officially declared, investors should seek safety. Oil, natural gas, commodities, and gold could serve as safe havens in the months ahead. Keep an eye on these sectors, as the situation evolves.

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1. Investing

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