



Ukraine Crisis: Protect Your Portfolio With These 2 Stocks

Description

The world watches in horror, as Russia unleashes the biggest invasion of a European country since World War II. The [Ukraine crisis](#) is now at the end of its first week. Some experts worry that this conflict could drag on for months, if not years. Unfortunately, that means more casualties lie ahead.

Investors need to brace for this bleak future, which could also impact them financially. Russia's currency and bond markets are already in free fall. The economic sanctions are pushing the Putin regime into a corner where he could pull his second-most powerful lever: energy.

Here's what investors need to know.

Oil shock

The supply of crude oil and natural gas is a vital aspect of this conflict. Russia is the second-largest energy exporter in the world and has the eighth-largest proven reserves. Much of Western Europe relies on this supply. In fact, pipelines carry crude from Russia, *across Ukraine*, into the rest of Europe, despite the raging battles.

If the conflict drags on, European nations could sanction Russian crude. Canada has already decided to do so, although our imports of crude oil from this region were negligible. If other countries follow, the price of crude could skyrocket. Brent crude is already trading above US\$100 this morning. Another double-digit price hike could be on the table soon.

Higher energy costs exacerbate inflation. Investors should protect their portfolios by adding some oil stocks as a hedge.

Oil stocks

Natural gas giant **Tourmaline Oil** ([TSX:TOU](#)) and crude oil producer **Suncor Energy** ([TSX:SU](#))([NYSE:SU](#)) are top picks for investors seeking a safe haven. Tourmaline stock is up 9% since last

week, while Suncor stock is up 7% over the same period. Fortunately, both stocks are still undervalued, which limits the downside risk.

Tourmaline stock, for instance, is trading at just 8.9 times earnings per share. The stock is up 572% since early 2020. Earnings have been so strong throughout 2021 that the company has offered special dividend payouts twice in just the past six months. In 2022, gas prices were expected to moderate. But the conflict in Ukraine changes this dynamic and could push natural gas prices much higher.

Similarly, Suncor stock is trading at 14 times earnings per share. Over the past 12 months, this stock is up 51%. That trend could continue in 2022, as this conflict drags on. Meanwhile, the 4.3% dividend yield could buffer losses in other parts of your portfolio. That's why oil stocks like Suncor are such a powerful force for diversification.

Bottom line

I hope the conflict in Ukraine is quickly resolved with minimal loss of life. However, investors need to be prepared for the worst-case scenario. If the war magnifies the energy crisis, it could damage the global capital market. To offset these losses, investors should consider adding some exposure to oil and gas stocks like Tourmaline and Suncor.

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1. Energy Stocks
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2. TSX:SU (Suncor Energy Inc.)
3. TSX:TOU (Tourmaline Oil Corp.)

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