This 1 Oil Stock Is a Top Buy Ahead of Stagflation

### Description

The last two trading sessions have been horrendous, with the Nasdaq 100 and S&P 500 hitting new lows for the year, down around 31% and 22%, respectively, at writing. The TSX Index is back in correction territory, and questions linger as to how many rate hikes it will take before inflation can be brought back under control.



At this juncture, it seems like a recession will be hard to avoid. Many firms have already paused on hiring practices, with some hard-hit companies in the tech sector already lightening up on their workforces. It's a scary time, especially for investors lacking liquidity. Monday saw **Bitcoin** implode alongside gold, silver, and even oil stocks.

Sometimes, there isn't anywhere to shelter your portfolio from the damage. That's why short-term investors and traders should be cautious when looking to make a quick buck in this market. For long-term thinkers who plan to invest for the next 10 or 20 years, this recent bear market move should be viewed as a good thing. If you can buy shares of wonderful businesses at multi-year lows, why would that be a bad thing? It could be if you lack the liquidity to take advantage of these market dips.

## June swoon: Stagflation on the horizon?

As the June swoon continues, I'd urge investors not to panic. Nobody made money in markets by hitting the panic button. Instead, one should look to do a bit of buying. If you're a young investor who can stay in the market for at least 10 years, it'd make sense to look to the battered tech space to play a multi-year bounce. However, if you're not a young and venturesome investor, it's better to err on the side of caution with stocks that can help improve upon the diversification factor.

Right now, oil stocks are hard to stack up against. They've been surging in the face of a bear market, and they could continue to do so, as markets look to add to their losses. Further, as this latest round of capitulation happens, various oil stocks are bound to get dragged down unfairly. Whenever there's a rush for cash, everything can get slammed, including short-dated bond funds, as we saw during the 2020 stock market crash.

Stagflation or not, we live in a time of profound uncertainty. Investors hate the market's unpredictable nature. The Ukraine-Russia crisis in particular is a major cause for concern that investors should think about hedging against. If the crisis worsens, inflation could take off even further led by higher oil prices. Though peace talks could knock oil back down to US$100 or lower, it's arguable that having no energy exposure is worse than overweighting energy in 2022.

## Cenovus Energy: A top oil stock for new investors

I'm a big fan of oil firms like **Cenovus Energy** (TSX:CVE)(NYSE:CVE), which are slightly more sensitive to oil price movements that its bigger brothers in the oil patch. Cenovus has been down and out for many years. Now, the stock is unstoppable, doubling up many times over since oil bottomed in 2020.

I think there's a lot more gain to be had in a firm poised to reduce production breakeven production costs with time. Even if the firm's efforts don't pay off anytime soon, higher oil is enough to help investors fare well in what's shaping up to be a horrific year of high prices and market losses.

At writing, CVE stock trades at 30.4 times trailing earnings, with a 1.44% dividend yield. Shares slid over 3% on Monday in what was a terrifying day for almost every asset class. Though the dip is just a blip in the grander scheme of things, I think investors should be buyers if they feel their portfolios are on some unstable footing.



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