



## Investing in a Falling Market Is Hard But Important

### Description

“Buy low and sell high” is perhaps the most popular adage when it comes to making money in the stock market. It sounds easy in practice. However, many investors know that putting money to work in a falling market is extremely difficult.

In bear markets like we’re in now, the temptation can be to cut losses. Whether it’s for tax purposes, or simply avoiding additional losses, when investors can’t see the bottom, it’s generally the time many sit out the volatility. However, many studies have shown that missing out on the best “up” days in the market can hurt one’s returns over time. Thus, the idea of staying invested, despite market turmoil, is more prescient now than ever.

For those looking for something to buy at a much better price, I think **Cenovus Energy** ([TSX:CVE](#))([NYSE:CVE](#)) is worth a look. Let’s dive into why this may be a great example of a company worth adding to ride out this volatile period of time.

## Commodities still remain a solid place to hide

Cenovus is one of the top players in the Canadian oil sands. Accordingly, oil prices tend to impact this company’s valuation more than others.

Cenovus has levered up in recent years, acquiring more capacity at what many viewed previously as the worst possible time. During the pandemic, the price of crude temporarily went negative. For oil producers, this was terrible. And for companies like Cenovus with a tremendous amount of debt, concerns around the potential for bankruptcy took this stock below \$2 per share.

However, now trading at more than \$17 per share, long-term investors who stuck with the idea that energy prices will eventually moderate have been proven right. With the price of crude now above US\$100 per barrel, Cenovus is a key beneficiary of the tailwinds in this sector.

Commodities have been a great place to hide during this period of volatility. Indeed, I think many of the tailwinds that have driven this sector higher are likely to continue. Accordingly, I think Cenovus stock

could have more room to run, particularly when it trades around [23 times earnings](#).

## Falling market could provide more downside

Various commodities stocks, including Cenovus, are certainly seeing some recent selling pressure. Crude oil prices are volatile and still much higher on a year-over-year basis. However, compared to the peak we saw earlier this year, we're now in a declining price environment.

Expectations of a potential global recession have investors concerned. In this environment, nothing is safe. That said, until we stop using energy, companies like Cenovus may perform less badly than peers in other more economically sensitive areas of the market. That's the thesis with investing in more defensive names for those concerned about what the future has in store.

## Bottom line

Buying stocks in a falling market isn't easy. But for those looking for outsized gains over the long term, that's exactly the strategy that makes sense. During the pandemic, those who took a shot on Cenovus were handsomely rewarded. If we're due for another selloff like what we saw two years ago, I suspect the same will be in order for investors.

### CATEGORY

1. Energy Stocks
2. Investing

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1. NYSE:CVE (Cenovus Energy Inc.)
2. TSX:CVE (Cenovus Energy Inc.)

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