



3 Stocks Every Young Investor Should Own

Description

The benefit of being a young investor is that you have time on your side. Younger investors can afford to buy investments that have long-term potential, but may experience some volatility over the short- and medium-term. The key to making the most of your opportunity as a young investor is to find stocks with considerable upside potential over the long haul, even if there may be some bumps along the way.

My three top picks for young investors are all commodities stocks. Commodities stocks are cyclical, and sometimes are avoided by older investors for fear of a major downturn, but for younger investors these stocks are ideal. Many commodities will be buoyed over the long-term by the simple fact that most commodities are non-renewable resources, and if demand is to stay steady or improve over the long-term while supply declines, then prices will rise.

The key is to pick commodities companies that produce and sell resources that will be more scarce in the future while demand will rise. Also, you want a company that has an efficient business strategy. Three companies that fit the bill perfectly are **Canadian Natural Resources Limited** ([TSX: CNQ](#))([NYSE: CNQ](#)), **Goldcorp Inc.** (TSX: G)(NYSE: GG), and **Potash Corp./Saskatchewan Inc.** (TSX: POT)(NYSE: POT).

Canadian Natural Resources Limited

Canadian Natural Resources is recognized as a low-cost producer of oil in Canada, a status it has obtained thanks to its large size, which allows it to benefit from an economy of scale, its focus on long-life low decline assets, and its diverse energy mix. While energy prices are cyclical, like all commodities, Canadian Natural Resources' low cost operations allow it to survive the tough times, and thrive when times are good.

Canadian Natural Resources has historically been a consistent performer. Over the past 10 years the stock has advanced, on average, 21% per year, making this a great stock for younger investors who can afford to ride out some bumps in the road in for longer-term gains.

Goldcorp Inc.

Goldcorp is to gold what Canadian Natural Resources is to energy. Goldcorp is a low-cost gold producer with a diverse and quality asset base. While the company's stock is somewhat at the whim of

gold prices, the company's status as a low-cost producer helps it survive the challenging times while its healthy balance sheet means that the company is in a position to grow through acquisitions when low gold prices hit smaller miners not as well positioned to withstand tough times as Goldcorp.

It is true that right now times are challenging for gold producers, but there is still a long-term case for the metal as it is not a matter of if, but when, investors turn toward a safe haven for their money for one reason or another. Gold is the best safe haven investment out there and deserves a place in all young investors' portfolios.

Potash Corp./Saskatchewan

As a fertilizer producer, Potash Corp.'s long-term investment case is simple. The number of people we need to feed around the world is growing while the amount of arable land that we have is decreasing. In the future, the only way to feed the world's population will be to maximize the output on the land we have, and the way to do this will be to fertilize.

Potash Corp. supplies fertilizers, primarily its namesake crop nutrient potash. Potash is a critical nutrient for crop health, and potash mines have high start-up costs and long development times, which are considerable barriers to development. Having a solid supply of potash, which Potash Corp. does, will be a very bullish factor over the long term.

While the long-term case for Potash Corp. is readily apparent, over the short term the company's stock has been and will likely continue to be exposed to volatility. These short-term fluctuations can be ridden out by younger investors, for the greater long-term potential that Potash Corp.'s stock holds.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:CNQ (Canadian Natural Resources)
2. TSX:CNQ (Canadian Natural Resources Limited)

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