



Which Canadian Mining Stock Appears Poised to Break Out?

Description

Canada is recognized globally as having one of the most robust markets for mining stocks and resource companies. Things took a turn for the worse for Canadian investors in 2015 as the mining sector was hammered by dramatically lower commodity prices, only to see the market begin to recover in 2016.

Many of the resource companies calling the TSX home have already bounced back from their lows, including **Teck Resources Ltd.** ([TSX:TECK.B](#))([NYSE:TECK](#)), which has gained 187% over the past year, and **Cameco Corp.** ([TSX:CCO](#))([NYSE:CCJ](#)), which has gained over 42% in the past five months alone.

One stock that has yet to participate in the Canadian mining rebound is **Potash Corporation of Saskatchewan Inc.** ([TSX:POT](#))([NYSE:POT](#)) with shares virtually flat over the past 12 months. Potash Corp. is the world's largest producer of the nutrient potash, which is used by farmers to replenish the soil after a crop has been harvested. Potash helps to accelerate the soil's recovery process, and in doing so, allows farmers to produce higher crop yields per acre of land.

With the global population expected to increase by 2.2 billion before the year 2050, the world will have more mouths to feed with progressively fewer acres of arable land on which to grow food. Potash Corp. is well positioned to meet this growing need.

Potash Corp. cut its dividend twice in 2016, which may be part of the reason investors have remained cautious. Currently, the shares yield a dividend of 2.34%, which is well below the company's five-year average of 4.66%. Earnings have suffered as well with the company earning only \$0.38 over the past year, giving it a dangerous payout ratio of 105%.

However, for investors willing to look past any short-term volatility in Potash Corp.'s quarterly earnings and dividends, the company boasts ownership of a portfolio of world-class assets with its Saskatchewan mines. Among the lowest-cost mines for potash production globally, the mines are expected to generate market-leading production for Potash Corp. over the next several decades.

While some analysts may disagree over the timeline for Potash Corp.'s turnaround, one thing is clear:

the overwhelming consensus among experts is that this company will be around for the long haul, offering compounded returns for those who are willing to be patient and disciplined while this story plays out.

Should you buy?

Lately, there have been encouraging signs that a turnaround in Potash Corp. shares may be in the near future. The company recently reported that potash demand was strong in Q4 with an increase in the pace of shipments to emerging markets, notably China and India. With industry capacity limited amid lower commodity prices, stronger demand for commodities should help tip the markets in favour of producers such as Potash Corp. in 2017.

Investors seem to be picking up on the improving sentiment as the company's 50-day moving average recently broke above the 200-day moving average — an indication the market is becoming more bullish on the company, and a strong indicator that a breakout in Potash Corp. shares may be imminent.

CATEGORY

1. Investing
2. Metals and Mining Stocks

TICKERS GLOBAL

1. NYSE:CCJ (Cameco Corporation)
2. NYSE:TECK (Teck Resources Limited)
3. TSX:CCO (Cameco Corporation)
4. TSX:TECK.B (Teck Resources Limited)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Yahoo CA

Category

1. Investing
2. Metals and Mining Stocks

Date

2025/07/27

Date Created

2017/03/28

Author

jphillips

default watermark