



Are Commodities Making a Comeback? 3 Stocks That Will Benefit Most

Description

A former **Goldman Sachs** executive and current advisor to Canada's finance minister Bill Morneau is suggesting we may be on the verge of another 10-15-year commodity supercycle.

Ken Courtis, chairman of Starfort Investment Holdings, said on an interview with BNN that he thinks the emerging markets are once again in a position to ramp up infrastructure spending over the next decade, citing national programs that are in place which dwarf President Trump's own plans for infrastructure spending in the U.S.

Companies like **Teck Resources Ltd.** ([TSX:TECK.B](#))([NYSE:TECK](#)) and **First Quantum Minerals Limited** ([TSX:FM](#)), which export most of their production to China and other developing nations, would be well positioned to benefit from a resumption of investment spending in emerging markets.

Teck Resources is the largest North American producer of steel-making coal and the world's second-largest exporter of seaborne steel-making coal, an essential ingredient in the production of steel. Teck also is a major producer of copper and zinc, both of which are heavily involved in infrastructure projects.

With China currently spending more on infrastructure projects like roads, bridges, and sewers than the U.S. and Europe combined, there should be plenty of demand coming out of the east for the raw materials that Teck extracts from the ground.

First Quantum is another well-established Canadian resource company mining copper, gold, nickel, and zinc with assets in Africa, Europe, and Australia. The bulk of First Quantum's profits are derived from copper, and with some analysts forecasting copper prices to rise 33% before 2020, the company stands to benefit over that stretch.

However, investors should also keep in mind that First Quantum has hedged 80% of its 2017 copper production at \$2.25 per pound. The spot price of copper closed yesterday's trading at \$2.54, so investors shouldn't expect to see the benefits of a higher copper price realized in First Quantum's financial performance until early next year.

Courtis is also calling for WTI crude to reach above US\$70 per barrel by this time a year from now. If

this forecast proves accurate, those companies operating in the oil sands should expect to see a boost to their share prices.

Baytex Energy Corp. ([TSX:BTE](#))(NYSE:BTE) would be among those standing to benefit the most from a surge in crude. Baytex operates as one of the higher-cost oil sands producers, meaning that with lower oil prices, the company will struggle to stay in the black; however, it would be a far different story for the company if conditions were to improve.

Dividend investors take note

The only problem with these three companies is that none of them pay much of a dividend. Teck Resources has the highest yield of the bunch, but it only pays a distribution of 0.39%.

Investors seeking a dividend to complement expected capital gains may want to consider **Suncor Energy Inc.** ([TSX:SU](#))(NYSE:SU), **Crescent Point Energy Corp.** (TSX:CPG)(NYSE:CPG), or **Canadian Natural Resources Limited** ([TSX:CNQ](#))(NYSE:CNQ), which all stand to benefit as this story plays itself out.

CATEGORY

1. Dividend Stocks
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6. TSX:BTE (Baytex Energy Corp.)
7. TSX:CNQ (Canadian Natural Resources Limited)
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