



## Betting on a Commodities Rebound? This Company Appears to Be Paving the Way

### Description

Commodity price cycles are very interesting to watch from a long-term perspective. In general, commodities are negatively correlated with equity markets, and as such, it stands to reason that commodities play a valuable role in portfolio diversification and hedging.

During a protracted downturn, commodities tend to significantly outperform the broader equity market; while the current bull market continues to motor forward, and catalysts that may lead to a market downturn have yet to manifest themselves, investing even a small percentage of one's portfolio in commodities can prove to be useful as commodities continue to trade near all-time lows when compared to their equity counterparts.

In early May, I [suggested](#) investors take a look at **Lundin Mining Corporation** ([TSX:LUN](#)) as a means of taking advantage of a sustained rebound in equities, while also benefiting from the continued bull run.

One of the key investment theses I pointed to was the unique makeup of Lundin's mining operations as being centred on minerals such as zinc, copper, and nickel as opposed to more traditional precious metals such as gold and silver.

Having excess exposure to metals used more in an industrial sense than as a currency or store of value provides Lundin with a unique value proposition for commodity investors; industrial metals tend to perform better in the bottom half of a commodity cycle, but they tend to underperform their precious metals peers in a bear market; investors tend to flock to precious metals during a recession as a safety valve at a much higher rate than metals like zinc, copper, or nickel.

Since May, this investment thesis has worked out well. Investors on May 12 would have seen their position increase by approximately 15%, as investors seeking diversification have driven the share price of miners such as Lundin higher.

Investors over the past 12 months have seen returns of nearly 35%, and while many may be thinking

now is a good time to take money off the table, I would argue that a sustained commodities rebound is likely to be around the corner. The more prudent move may be to go along for the ride and commit to holding shares in a company like Lundin for a specified amount of time.

### **Bottom line**

Lundin is a unique name in the mining world — one which provides a significant amount of upside in bull markets as well as bear markets. I would recommend investors who are interested in considering commodities as a portfolio holding look at Lundin first.

Stay Foolish, my friends.

### **CATEGORY**

1. Investing
2. Metals and Mining Stocks

### **TICKERS GLOBAL**

1. TSX:LUN (Lundin Mining Corporation)

### **PARTNER-FEEDS**

1. Msn
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