



## Why Potash Corporation of Saskatchewan Inc. Increased 2% on Friday

### Description

The stock price of one of the global leaders in potash production, **Potash Corporation of Saskatchewan Inc.** (TSX:POT)(NYSE:POT), has been very difficult to predict in recent months. Since hitting its 52-week high in early 2017, shares of Potash Corp. have slid nearly 15% from their high with a meagre rebound in recent trading days providing investors with a small measure of relief, given the fact that the company's share price has largely traded sideways for the majority of this year.

I'm going to take a look at two of the reasons for the jump in Potash Corp.'s stock price on Friday.

### Merger approved by Canadian regulators

On Thursday, the Canadian Competition Bureau announced that it will approve the merger of Potash Corp. and **Agrium Inc.** (TSX:AGU)(NYSE:AGU) — a very important step in the finalization process for these two firms. While a number of hurdles still remain for Potash Corp., including receiving official approval by regulators in India, China, and the U.S., it appears that the Nutrien merger will be moving ahead following some small divestitures, which are expected to be requested throughout the next fiscal quarter.

While the Nutrien merger was initially expected to be completed by mid-2017, the timeline has now been pushed back to late 2017, pending the aforementioned approvals. The recent approval by the CCB has resulted in positive sentiment across the board, with many investors looking positively on the ability of the combined entity to grow profitability in the near to medium term.

### Potash Corp. upgraded by RBC

In a research note released on Friday by RBC Dominion Securities, analyst Andrew Wong noted that the approval of the Nutrien merger by Canadian regulators represents a very positive step in the process towards finalizing the proposed merger, prompting RBC to raise its target price to US\$20, representing a premium of approximately 7% above Friday close.

In addition to the impressive production capacity and free cash flow generation of Potash Corp. as well as the synergies provided by the merger, one of the important aspects of the deal highlighted by Mr.

Wong is the “diverse, vertically integrated agricultural input business” Agrium provides.

### **Bottom line**

With commodities trading near all-time lows across the board (even more pronounced in industries such as potash), I expect that as the Nutrien merger continues on its path to completion, a sustained rebound in Potash Corp.’s stock price is likely in the coming months as investors assess the long-term implications of the deal and how the combined entity will be able to perform in the long run compared to its peers.

Stay Foolish, my friends.

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