



2 Cheap Commodity Stocks to Buy Now

Description

It's time to buy stocks in the commodity sector. Most of the stocks in this sector are very undervalued and should rebound soon. Interest rates hikes and a rising Canadian dollar tend to boost commodity prices.

Goldcorp Inc. (TSX:G)(NYSE:GG) is a good stock to buy in the gold sector, and **Lundin Mining Corp.** (TSX:LUN) is an interesting choice in the mining sector. Both stocks are really cheap right now. Let's take a closer look at those two companies.

Goldcorp Inc.

The world's fourth-largest gold mining company has been affected by the depressed price of gold. Its share price has fallen by 17% over five years. It is trading just slightly above its 52-week low of \$15.56. The stock is cheap right now with a low forward PEG of 0.70.

Goldcorp's share price is down by more than 12% since the beginning of the year. The gold price begins to rebound as safe-haven demand returns, so Goldcorp's share price should rise, too.

Goldcorp reported better-than-expected results in its second quarter, helped by lower costs. The Canadian gold producer reported net earnings of US\$135 million, or US\$0.16 per share. A year ago, the company reported a loss of US\$78 million, or US\$0.09 per share.

Adjusted earnings came at US\$0.12 per share, beating analysts' estimate of US\$0.09 per share.

The Vancouver-based company produced 635,000 ounces of gold in the second quarter at a cost of US\$800 an ounce. This is a production 4% larger than the 613,000 ounces of gold it produced at a cost of US\$1,067 per ounce in the second quarter of 2016.

Goldcorp pays a quarterly dividend of US\$0.02 per share for a yield of 0.61%.

Goldcorp currently has a return on equity of 3.48% and a net profit margin of 13.22%. A strong growth rate of 51.36% is expected for the next five years.

Lundin Mining Corp.

Lundin Mining is a diversified base metals company primarily producing copper, nickel, and zinc. More than 60% of its revenue comes from copper. Copper price is rising, which is beneficial to Lundin Mining.

The mining company's stock returned almost 12% over the last five years and is up 39% year to date. It is trading just slightly below its 52-week high of \$9.90. The share price is very cheap right now, with a very low forward PEG of 0.55.

Lundin Mining reported EPS of \$0.09 for its second quarter, topping the consensus estimate of \$0.06 by \$0.03. The company had revenue of \$611.6 million during the quarter. Analysts expect that Lundin Mining will post \$0.35 earnings per share for the current year.

Lundin Mining has the best balance sheet among its peers, with a cash balance of approximately US\$2.1 billion and net cash of US\$1.1 billion.

A strong balance sheet gives Lundin the flexibility to acquire assets or pay a dividend. A lot of internal funds gives downside protection in a low commodity price environment or early debt retirement.

The mining company recently disclosed a quarterly dividend of \$0.03 per share, which was paid on September 20. This represents a \$0.12 annualized dividend for a dividend yield of 1.37%. Lundin Mining started paying a dividend to its shareholders on April 18, 2017.

Lundin Mining has a return on equity of 9.8% and a net margin of 17.63%. A strong growth rate of 43.80% is expected for the next five years.

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Author

sbchateauneuf

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