5 Commodity Stocks That Look Like They Are About to Take Off

Description

Commodity prices have been on the rise again — a trend that dates back to about the middle of 2017.

But while you may have missed your crack at some truly great investments that were available for a split second at the start of 2016, when the price of crude oil was hovering below US$30 per barrel, the good news is that you still have a chance to pick up some very high-quality companies at decent prices — companies that serve to play a vital role in the world's increasing need for energy and food supplies thanks to what is forecast to be a dramatic expansion in the working middle-class global population.

These five companies are showing signs that 2018 could be a very profitable year to be a shareholder in them:

Teck Resources Ltd. (TSX:TECK.B)(NYSE:TECK) is one of North America's largest producers of metallurgical coal — a key input in the manufacture of steel and steel products.

While recent events affecting trade between Canada and the United States could play some role in demand for Teck's products south of the border, the good news is that most of Teck's demand comes from overseas markets, namely China.

Crescent Point Energy Corp. (TSX:CPG)(NYSE:CPG) and several other Canadian oil sands producers have suffered from some bothersome transportation bottlenecks that have kept the price for Canadian heavy oil muted so far in 2018, lagging behind the price for U.S. crude.

While that hasn't done much to help Crescent Point shareholders so far this year, it has also left shares deeply discounted, trading at just 0.62 times the firm's book value — a real bargain for a company with so much growth potential.

CF Industries Holdings, Inc. (NYSE:CF) will stand to be a beneficiary in 2019 of what's transpired so far this year.

Prices of soybeans, grains, wheat, and barley have risen sharply over the past 12 months, putting more profits in farmers' pockets, which will provide agri-businesses a larger budget to invest in yieldassisting products, like CF's fertilizers, for the 2019 harvest season.

AGT Food and Ingredients Inc. (TSX:AGT) is a leading supplier of value-added pulses and staple foods. AGT buys raw foods like lentils, peas, beans, and chickpeas from farmers and ships value-added packaged products to over 120 markets around the world.

AGT is a historically cyclical stock that also happens to be coming off its 52-week lows, so now might be a good time to pick up this Canadian small-cap name.

And then there's **Enbridge Inc.** (TSX:ENB)(NYSE:ENB). Admittedly, it's a bit of a stretch to consider Enbridge, Canada's largest pipeline operator, as a "true" commodity company. That's because the money Enbridge receives from customers isn't directly tied to crude or natural gas prices.

But the company makes the list as shares today find themselves historically undervalued, trading at dividend yield above 6% with the company forecasting that it plans to growth the dividend by between 8% and 10% through 2020.

Conclusion

Commodity markets are notoriously fickle.

These five stocks are promising, but investors will also want to exercise a solid game plan in terms of a reasonably placed stop loss should the tide suddenly take a turn for the worse.

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3. NYSE:TECK (Teck Resources Limited)
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