This Is 1 High-Yielding Stock You Can Buy Today

Description

Commodity prices have begun to come off again, and the stock prices of companies involved in commodity-related businesses have also begun to come down. While deals do not yet abound, there is the possibility that prices will be further reduced if fear continues to enter the market. While history does not necessarily repeat itself, there are many similarities between the current situation and that of a couple years ago.

Now — as in the summer of 2015 — growth in China is seeming to slow. As one of the largest consumers of commodities in the world, slowing growth from that region will send shock waves throughout the sector. Combine slowing growth with continued trade war fears, and you have the recipe for panic in the commodity sector.

The fact that we had a commodity rout so recently might actually be positive for people looking to invest in the space. Many of the weaker companies either did not survive or had to strengthen their balance sheets. Those that managed well through the difficult times are also easier to identify, as they have continued to flourish, while companies that were not as well managed have suffered.

Russel Metals (TSX:RUS) has performed very well over the last few years, and it may even benefit somewhat from a trade war. After plummeting from the mid-$30s down to the $15 range, the stock has now recovered nicely, doubling in price since hitting its lows. The stock is now back up to around $30 and is still yielding just over 5% — a dividend that was not even cut during the downturn.

The company manufactures and distributes metal products for a variety of uses. It makes pipes, chain, fencing, and much more out of a number of different metals including copper, steel, and aluminum. The company is fairly diversified across many different sectors, although it does have a fairly large amount of its business coming from the energy sector. It was largely this connection that was responsible for its stock price decline a few years ago.

Financial results were quite good coming from the company in Q1 2018. Earnings were up substantially, increasing 62% over Q2 2017. Revenue increased 5%, and operating profit increased 59% over the same period. The company also completed its acquisition of the operating assets and facilities of DuBose Steel in North Carolina, which it expects to quickly add to earnings in the future as well as expand its reach into the United States.

There are a few risks to owning this name. The company is a metals company, which includes a portion dedicated to steel. Tariffs may have a negative effect on income in the near term. Also, another downturn in commodity prices may negatively affect the company's earnings. While this does not seem to be an immediate concern, it is something potential investors should keep in mind before establishing a position. Finally, the company has some debt, which can make the balance sheet fragile in a crisis.

Even with these risks on the horizon, the fact is that the company is currently performing well. While the price may come down in the near term, it has proven to be a resilient company. It managed to navigate the last commodity price decrease, all the while keeping its dividend intact. And with its dividend still at around 5%, this company may be a good long-term hold for dividend investors.

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