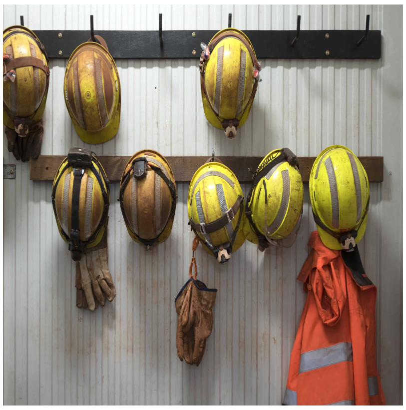

3 of the Top Diversified Metals and Mining Stocks on the TSX

Description

Mining stocks are one of the greatest strengths of the TSX index; no doubt about it. Ask any non-Canadian investor what Canadian stocks are famous for, and you can bet that, after financials and utilities, they'll mention metal and mining stocks.

With that in mind, and paying close attention to the uncertainty in global markets at present — as well as future stressors gathering on the horizon –let's take a look at some of the Canadian mining stocks that offer slightly lower risk through ready diversification.

Arizona Mining (TSX:AZ)

Valued about right compared with its future cash flow value, the only market fundamental that is legible today for Arizona Mining is its P/B ratio of 6.9 times book. A negative return on equity of -3% last year is in line with its wayward multiples; couple that with a lack of dividends (although normal for a miner), and you may be wondering how this stock got on this list.

Well, growth investors take note: Arizona Mining is looking at a 66.4% expected annual growth in earnings over the next one to three years. That, plus zero debt, make this a stock to buy and hold on to for mid-term capital gains. Competitor **Franco-Nevada** may be a better-rounded stock in terms of track record and quality, but Arizona Mining has the edge on outlook.

Ivanhoe Mines (TSX:IVN)

A Canadian ticker, but mining predominantly in Africa, Ivanhoe Mines is another great stock selling at low, low prices these days. Undervaluation is highlighted by a below-10 P/E ratio and trading only slightly higher than book value.

A 12.5% expected contraction of earnings over the next one to three years counts this one out as a choice for growth investors, though quality-focused traders will be pleased to see that Ivanhoe Mines's return on equity was 21% last year, and its debt level is just 2.8% of net worth. A downward trend in share price looks to be improving since last month, so momentum traders may want to take note.

Hudbay Minerals (TSX:HBM)(NYSE:HBM)

Another cheap mining stock that offers some diversification is Hudbay Minerals, currently undervalued with low market multiples: a P/E of 5.1 times earnings, PEG of 0.3 times growth, and P/B of 0.5 times book to be precise. While this may make it look as though this isn't a stock worth owning, the fact is, however, that a 18.4% expected annual growth in earnings over the next one to three years signals this as a desirable growth stock.

Quality-driven investors will be pleased by an acceptable debt level of 48.8% of net worth, a so-so return on equity 10% last year, and even a dividend on offer, though the yield of 0.35% is rather too low to qualify as a feature. A downward trend in price gives some momentum to this stock, with a high five-year volatility relative to the market signified by a beta of 3.54 suggesting the potential for capital gains down the road.

The bottom line

Undervalued mining stocks are one of the best things about the TSX index, so it makes sense to own a few of the better ones. The trio above offers investors good value paired with high quality. Look to Arizona Mining if you are after high growth, while Hudbay Minerals likewise has a positive outlook for the coming years while beating the former stock on asset-based value.

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1. Investing
2. Metals and Mining Stocks

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1. Editor's Choice

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Date
2025/06/30
Date Created
2018/09/21
Author
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