Nutrien (TSX:NTR) Stock Is up More Than 27% Over the Past 5 Months: Is it Time You Sold?

Description

The world's leading fertilizer company, Saskatchewan-based **Nutrien** (TSX:NTR)(NYSE:NTR), has seen the value of its share price soar 27% over the past five months of trading and is up more than 55% from its mid-2016 lows.

Is it time you thought about parting ways with the NTR stock or at least trimming your holdings?

But before getting into the case of why it makes sense to hold off on buying any more stock in NTR for now or even scaling back on any existing position that you might have accumulated in recent years, let's first take a look at the argument in favour of a continuing to hold to your position.

Let's not forget that one of the more common pitfalls investors encounter is trading too often or, perhaps more accurately, "getting rid of your winners too early."

Selling your most profitable investments prematurely eliminates any chances you may have had at seeing your stocks' momentum continue to build.

Not only that, but it also prevents you from being able to take advantage of the magic of compound interest — an element that the world's most famous investor of all time Warren Buffett attributes to much of his success and a phenomenon that world-renowned physicist and mathematician Albert Einstein once referred to as the "eighth wonder of the world."

Granted, Nutrien is actually on a bit of a roll in its first year as a newly combined entity formed out of the merger between Potash Corp and Agrium.

The newly combined company is now the largest producer of potash globally and the second-largest producer of nitrogen fertilizer in the world.

In addition, the new company now boasts a unique global footprint, including 1,600 retail locations across seven countries, employing over 20,000 staff.

Retail operations are expected to account for a little more than one-third of the company's EBITDA (earnings before interest, taxes, depreciation, and amortization) in 2018 with adjusted EBITDA forecast to improve between 30% and 35% year over year, with the bulk of that improvement being driven by expected synergies of $500 million from the Potash-Agrium merger.

Building from that momentum, and thanks to select divestitures from its non-core portfolio, the company expects to return $2.6 billion of cash to shareholders in 2018 and to return up to $8 billion of cash to shareholders over the next three years.

Sounds great, so what could be the problem?

Those investors following a disciplined buy-and-hold strategy may want to continue to hold on to their NTR stock and continue to buy on the dips; mind you, NTR shares remain at less than half of their 2011 peak values.

However, for those taking a more tactical approach in their portfolios, it might make sense to scale back on the position for the time being, or at least in terms of new additions to their portfolios, perhaps looking elsewhere in the basic materials sector; for example, stocks of industrial metals companies like **Teck Resources** and **First Quantum Minerals** may prove a more fruitful endeavour for the time being.

Prices of several commodities linked to agricultural markets have rallied in recent years, and while there's at least some chance that trend could continue, all it would take is a spell of bad weather or a nasty drought for momentum to reverse course.

If that were to occur — particularly following the latest period of outperformance — it could send shares hurtling back down to even the $60 range on the TSX.

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