Is Nutrien (TSX:NTR) Stock a Buy for the General Canadian Investor?

Description

One of Canada's most talked about stocks, **Nutrien** (TSX:NTR)(NYSE:NTR) leaves a bitter taste in the mouth with today's data: from an overheated share price to low-quality signals, this agri chemicals supplier doesn't deliver in quite the way it should. A global crop inputs company should make for a defensive and high-quality buy; read on to see why the data shows that this is not the case right now.

Nutrien stock isn't necessarily the best place to start if you're looking to start investing in the stock market, however; a list of stocks to buy now is likely to focus either on growth or value, though preferably a bit of both, particularly if you are looking to buy and hold for the long term. Let's take a look and see where this stock holds up and where it falls down.

One of the hottest stocks to watch on the TSX index, Nutrien is among the newest Canadian stocks with medium to large caps (this one has a market cap of $44 billion). A -3.5% one-month return isn't very reassuring, though a high one-year past earnings growth of 143.7% signals that things are looking up. A PEG of 4.2 times growth is somewhat high, though it's tempered by a so-so debt level of 50.9% of net worth and more inside buying than selling in the last six to nine months.

Where does Nutrien shine: value, quality, or momentum?

It's not value, that's for sure: Nutrien stock has a P/E of 64 times earnings at the moment, and while a P/B of 1.4 times book isn't that bad, a dividend yield of 2.9% could be a little higher. If you want to make money investing in Canadian stocks, a simple rule of thumb is that value matters if you are holding long term, while growth investors are less concerned with initial share price, just so long as there's enough upside to justify buying an overvalued stock.

If you're looking for quality stocks to invest in, you may want to look further afield than Nutrien today. I like to use three earnings-based variables to ascertain the quality section of a stock's buy, sell, or hold status. With Nutrien we can see a ROE of 3% last year, a EPS of $0.86 at the last reading, and a 15.4% expected annual growth in earnings.

Upside isn't a problem for Nutrien

Nutrien is a great stock in terms of momentum, which goes a long way towards explaining why it fills so many newspaper columns (or website pages). At the time of writing, Nutrien gained 7.66% in the last five days, showing just how steep a return momentum investors can expect from this upside-heavy chemical producer/agri input giant.

Its beta relative to the Canadian chemicals industry of 2.07 indicates high volatility, and its share price is overvalued by almost twice its future cash flow value. These are exactly the sorts of momentum indicators that upside-seeking investors should look for in a capital gains stock. Overall, Nutrien scores 53% in my three-factor stock screening process — thus, a pretty solid hold signal.

The bottom line

Nutrien isn't a bad place to start if you want to make money with stocks, but you need to be sure of your strategy. Investing in Canadian stocks generally takes one of two or three strategies, with long-term dividend investing being one of the most popular. Nutrien stock should be just right for another type of investor, though: the momentum investor.

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