



## TSX Investors: Buy or Sell Chemical Stocks in 2019?

### Description

Chemical manufacturing and distribution is a primary export industry in Canada. In 2017, Canada exported over \$420 billion in chemical products to the United States, China, Brazil, Belgium, and Italy. Raw materials are Canada's most successful segment followed by intermediate goods.

**Nutrien** ([TSX:NTR](#))([NYSE:NTR](#)) and **Chemtrade Logistics Income Fund** ([TSX:CHE.UN](#)) are two of Canada's largest exporters of chemical products, contributing over \$40 billion in market capitalization to the Toronto Stock Exchange.

On Monday, Nutrien will release earnings results for the most recent quarter ending June 2019. Investors can expect some volatility and excitement from shareholders in response to the earnings call. Moreover, Chemtrade announced a dividend increase last month to \$0.10 per share, payable on July 31, 2019.

Both stocks offer value for investors interested in investing in chemical manufacturing and processing.

### Chemtrade Logistics

Founded in 2001, Chemtrade Logistics is a global manufacturer of industrial chemicals. The company processes and refines industrial chemicals including sulphuric, aluminum, and chloride products for industries such as pulp and paper, oil and gas, and water treatment.

In addition to manufacturing operations, the company provides industrial services throughout Canada, the United States, and South America. Chemtrade services include sulphur processing for agricultural and gasoline production, water treatment, and electrochemical manufacturing.

Chemtrade offers investors a share price of \$1.07 for every dollar of shareholder equity. In other words, the shareholder cost mark-up is only 7% of the equity value in the stock. Furthermore, at the stock's current price, the dividend yield stands at almost 12%. Chemtrade's dividend yield is nearly impossible to beat.

Granted, stock price performance over the past year has not been spectacular. Nonetheless, the stock performed better than its industry, giving investors 30% higher total returns than the industry average, including dividends.

## Nutrien

Nutrien is a global agricultural and industrial chemical producer in Canada, specializing in potash, nitrogen and phosphate products. The company boasts a highly connected distribution chain, which includes mining, refining, and retail operations worldwide. Nutrien's agricultural retail businesses export chemical products to farmers in the United States, South Africa, Australia, and South America.

Nutrien trades for \$68.11 and an inexpensive price-to-book ratio (P/B) of 1.70. The P/B ratio compares the price of the stock to the company's net assets. Compared to the industry average P/B ratio of 2.31, Nutrien's net assets are substantially discounted by almost 30%.

## Foolish takeaway

The chemical industry may not have performed well last year, but the industry is overdue for a correction in the year 2020. Nutrien and Chemtrade are great options for investors interested in owning shares of Canadian chemical enterprises.

Chemtrade may be the better option for more conservative investors; the stock is trading at around \$10.22 versus almost \$70 per share for Nutrien and requires a smaller commitment. Experienced investors with more cash to invest may consider Nutrien as a more established player on the Toronto Stock Exchange.

As Nutrien's earnings approach on Monday, long-term investors should caution themselves against purchasing additional shares in Nutrien. There may be a better buy opportunity on the horizon after earnings volatility subsides. If frequent traders overreact to an earnings miss on Monday, the stock could dive lower.

Savvy investors should wait to buy on this downswing to profit from the upside correction.

### CATEGORY

1. Investing
2. Top TSX Stocks

### TICKERS GLOBAL

1. NYSE:NTR (Nutrien)
2. TSX:CHE.UN (Chemtrade Logistics Income Fund)
3. TSX:NTR (Nutrien)

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