2 Sizzling Chemicals Stocks to Buy for the Long Term

Description

Chemical investment is a fairly low-volatility play on the TSX, but it has the potential to pay off in the long run. Two stocks are fairly good value for money at the moment and pay dividends in the range of 3-12%, with some solid growth ahead.

Today, we'll take a look at whether **Chemtrade Logistics Income Fund** (TSX:CHE.UN) or **Nutrien** (TSX:NTR)(NYSE:NTR) belong in a long-term portfolio focused on passive income in a secure industry with international ties.

Nutrien

Nutrien is a low-volatility play in the materials space and a solid choice for a low-risk investor looking for wide-moat companies. The potash miner has its market cornered and is integral to the agri materials industry.

While it could be better value for money, its huge economic moat makes it a fairly safe play for the long term. Value hunters can look to a P/B ratio just over book, which compares favourably with the chemical industry average.

With forecast growth in the double figures (around 17% over the next couple of years), Nutrien is expected to perform fairly well and exceed the TSX. Its return on equity over the same period isn't likely to be significantly high at around 8.7%, though a 3.79% dividend yield makes for a tasty investment.

Low-risk investors don't have too much to worry about, either, as Nutrien has a fairly healthy balance sheet, carrying a debt level of around 45% of net value and is well covered by cash flows.

Chemtrade

Chemtrade is an interesting play at the moment. While Nutrien has seen some insider selling of its stock, Chemtrade has seen a fair amount of insider buying.

Other positive signs for long-term investors include Chemtrade's management, which is sufficiently experienced, though a red flag is waving in the balance sheet department: Chemtrade carries a high level of debt at 160% of the company's net value. While this has been reduced over the last few years, it's still significantly high.

However, investors will have to weigh another high variable — the stock's dividend yield. Sitting at 11.35%, it's one of the highest on the TSX, and while the payments haven't grown, they have at least remained stable over the last 10 years. Future growth of profits looks better at the moment than Nutrien's at around 127% over the next three years.

The bottom line

Both stocks represent defensive market share in key sectors. Nutrien produces three nutrients essential to crops, namely nitrogen, potash, and phosphate, making it a very defensive choice for investors worried about where the global economy might be heading.

Furthermore, Nutrien has about 20% of the global market share in potash production and is also the largest agri goods retailer in the U.S., with everything from fertilizers to seed on sale to farmers.

Both stocks listed here are currently popular, seeing small gains on the TSX in the last few days. Nutrien might be the "safest" of the two, with its key participation in the global agricultural industry, while Chemtrade is a solid all-rounder.

In terms of passive income, Chemtrade wins hands-down, though an investor looking to get defensive should go long with Nutrien.

CATEGORY

1. Dividend Stocks
2. Investing
3. Stocks for Beginners

TICKERS GLOBAL

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

PARTNER-FEEDS

1. Business Insider
2. Msn
3. Newscred
4. Sharewise
5. Yahoo CA

Category

1. Dividend Stocks
2. Investing
3. Stocks for Beginners

Date
2025/08/07
Date Created
2019/08/29
Author
vhetherington