



## Why I Am Not Buying Nutrien (TSX:NTR) Stock at Today's Low Price

### Description

Bottom fishing ... at times, this investing strategy can yield significant results. A stock trading near its lows may be a sign of undervaluation. On the flip side, it can also be that the market simply does not believe in the company's prospects.

The phrase "don't try to catch a falling knife" comes to mind. A falling knife is when a company has suffered from a sharp drop, and the phrase warns investors that buying into a downward trend can be dangerous.

One stock that has garnered plenty of attention recently is **Nutrien** ([TSX:NTR](#))([NYSE:NTR](#)). Over the past few years, Nutrien has been [highly volatile](#), and this past year was no different. Unfortunately, the company is stuck in a downward trend; it is hitting new lows every couple of weeks.

Last Friday, it closed at a 52-week low of \$58.17 per share. Over the past year, it has lost approximately 15% of its value, and momentum is clearly against this stock.

Is now the time to take a position in one of the world's largest potash companies? Or should investors stay on the sidelines? Let's take a look.

### Bearish technicals

As of writing, all but one of the technicals point to continue downward pressure. It has crossed below all of the moving averages, including the long-term 200-day moving average. In fact, based on moving averages, the company is a "strong sell."

The only technical indicator that may point to a rebound is the 14-day relative strength index (RSI). The 14-day RSI is a key momentum indicator that indicates whether or not a stock is overbought or oversold.

Last Friday, Nutrien dipped below the 30-day RSI (28.17), which is an indication that the stock is oversold. This may signal a bounce in the short term. It is important to note, however, that the bounce may be short-lived, and it is possible that the company will continue its downward trend.

Over the past year, each time the stock has bounced, it has hit a lower high before resuming its downtrend. This does not bode well for long-term momentum.

## Supply and demand

Key to Nutrien's success is the supply and demand dynamics for potash. Last year was a challenging one, as weather-related growth and the **Canadian National Railway** strike impacted Canadian producers.

To help balance supply and demand, Nutrien announced in September it would idle production at three projects in Saskatchewan during the fourth quarter. The move was expected to [reduce production](#) by approximately 700,000 metric tonnes. Several other global producers also followed suit.

Unfortunately, the supply and demand have not yet balanced, and Nutrien announced it would keep it Vanscoy mine shut down for another five weeks, with more downtime potential this coming March.

Looking forward, analysts are optimistic that demand will continue to grow over time. In the short term, demand is at the mercy of mother nature. A wetter-than-expected spring in the U.S. caused less planting and fertilizing last year. This delayed and impacted demand.

Management believes that the market is well positioned for a rebound in 2020. They are also showing confidence in the market, by making several trades on the open market. Unfortunately, this alone is not enough to convince me to start a position.

## No signs of an uptrend

Given the need growing need for fertilizer, Nutrien is well positioned to come out on top. The reality is, however, that momentum continues to drag its stock lower.

Analysts have been revising their estimates for the fourth quarter downwards. If the company misses in a big way, the stock could see another significant drop. Likewise, there is no concrete evidence that the imbalance will solve itself in any meaningful way in 2020.

Before jumping in, I'd like to see a clear path to a resolution to the demand imbalance and for a sign that the company has established a bottom. If that means I miss out on the lowest price, so be it.

### CATEGORY

1. Investing

### POST TAG

1. Editor's Choice

## TICKERS GLOBAL

1. NYSE:NTR (Nutrien)
2. TSX:NTR (Nutrien)

## PARTNER-FEEDS

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

## Category

1. Investing

## Tags

1. Editor's Choice

## Date

2025/08/26

## Date Created

2020/01/30

## Author

mlitalien

default watermark

default watermark