



2 Top TSX Commodity Stocks to Buy

Description

Now is a great time to invest in the stock market. There are some industries that might perform better over the next 12 months than others. Stocks that invest in commodities like oil and gold may not be your best bet, unless its holdings are [well diversified](#).

That being said, here are two top commodity stocks on the Toronto Stock Exchange that you may consider buying before the year ends.

Franco-Nevada: A diversified stock investment

Franco-Nevada ([TSX:FNV](#))([NYSE:FNV](#)) fell to \$105.93 during the March market sell-off to a new 52-week high of \$222.15. At the time of writing, investors are trading the stock for \$169.79 per share. The annual dividend yield is small at 0.80%.

Franco-Nevada is a royalty company with gold and energy interests throughout the United States, Canada, Latin America, Australia, Europe, and Africa. Franco-Nevada reported its third-quarter of 2020 earnings results on November 4. Revenue increased by 19% versus the same quarter last year to \$279.8 million.

The press release disclosed that the company saw record earnings for the quarter:

“Franco-Nevada delivered record revenue, EBITDA and net earnings in the third quarter with all material Mining assets having returned to normal operations through the quarter. The Company continued to lead its royalty and streaming peers with the highest EBITDA margins and, in particular, with a record earnings margin of 55% in the quarter.”

That's fantastic news for shareholders. This might be a good stock to consider buying for your [retirement portfolio](#). Then again, energy is volatile and we don't know where gold is heading from here. Exercise caution before making any big commitments.

PrairieSky Royalty: A decent dividend yield

PrairieSky Royalty ([TSX:PSK](#)) fell to \$6.24 during the March market sell-off from a 52-week high of \$16.34. As of Friday, investors are trading the stock for \$10.94 per share. The annual dividend yield is decent at 2.19%.

PrairieSky Royalty owns royalty interests in crude oil and natural gas in Canada. PrairieSky announced third-quarter 2020 financial results on October 26. Andrew Phillips, president & CEO, issued the following message to shareholders regarding the firm's performance:

“Exploration and development activity improved throughout the quarter, with 18 rigs working in Western Canada at the beginning of Q3 2020 and increasing to 73 rigs at September 30, 2020. There were 44 wells spud (93% oil) on PrairieSky lands during the quarter with a focus on Viking, Bakken and Leduc units (18 wells), as well as 12 new Viking wells and six new wells in the Clearwater oil play. In addition, three Spirit River natural gas wells were spud in Q3 2020. Rig counts have continued to increase in the early stages of Q4 2020, with approximately 85 rigs currently working in Western Canada.”

The firm's revenue is down somewhat from last year. For the nine months ended September 30, revenue was \$124.4 million versus \$201.3 million last year.

PrairieSky Royalty is a great stock, but it still might not be worth the risk. Geopolitics surrounding oil and natural gas businesses are risky for shareholders. This risk creates a lot of volatility in the share price of stocks like PrairieSky.

In general, this might not be the best industry in which to invest right now — especially with the COVID-19 pandemic creating a lot of economic uncertainty, you might be better off looking at other industries.

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TICKERS GLOBAL

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2. TSX:FNV (Franco-Nevada)
3. TSX:PSK (PrairieSky Royalty Ltd.)

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