



1 Top TSX Stock to Buy If You Have \$50

Description

The commodities market appears to be heating up. Investors seem to be bullish on the potential for improved prices across most commodity sectors.

U.S. stimulus measures could lead to continued weakness in the U.S. dollar. Such a scenario would be broadly bullish for commodities investors.

In the commodities space, one sub-sector I've liked for some time is the methanol market. **Methanex Corp.** ([TSX:MX](#))(NYSE:MEOH) is definitely the way to play the methanol market. Indeed, this company is one of my top picks for investors right now.

What is methanol, and why does it matter?

Methanol is a chemical used in many industrial processes. It's produced from natural gas, and is a more environmentally-friendly fuel source than dirtier fuels. This makes the methanol market extremely attractive for ESG investors, or those bullish on consumption.

Methanol is primarily used in electricity generation and as a fuel for factories. Accordingly, in order to meet various environmental targets (government-mandated or not), companies will be forced to use more methanol over time.

Additionally, methanol is used in the production of plastics and other industrial products. We all use everyday products we may not know require methanol to be produced.

Why is Methanex the best way to play this sector?

Methanex is absolutely massive in the methanol market. Indeed, the company controls around 14% of the global methanol market. Its size and scale is really unparalleled in this sector.

The company recently dropped on weaker than expected earnings. Investors are still seemingly wary

of the downturn the methanol market saw since 2018. Since then, Methanex's share price has approximately halved. This provides investors bullish on this market with an interesting entry point.

I do think 2021 will be a lot better for earnings as compared to 2020. The methanol market has begun to firm up, with prices improving around 50% from their lows last year.

There are some idiosyncratic risks with this company. Three of their plants are facing natural gas feedstock restrictions. This should result in flat production volumes this year. However, the company is expected to earn a multiple of what it did in 2020 if methanol prices continue to climb.

Bottom line

Methanex is somewhat of a highly volatile name. This is a high-beta stock. Accordingly, investors get a lot of potential upside if the market believes in methanol's long-term potential.

As with other energy plays, Methanex provides excellent leverage to the underlying commodity price. In the case of methanol, if you're bullish on the medium to long-term fundamentals of this sector, this is a very good thing. Of course, when methanol prices see downside, as they have in recent years, this works against investors.

CATEGORY

1. Energy Stocks
2. Investing

POST TAG

1. energy
2. growth
3. growth stocks
4. investing
5. market
6. Stocks
7. value investing

TICKERS GLOBAL

1. NASDAQ:MEOH (Methanex Corporation)
2. TSX:MX (Methanex Corporation)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Yahoo CA

Category

1. Energy Stocks
2. Investing

Tags

1. energy
2. growth
3. growth stocks
4. investing
5. market
6. Stocks
7. value investing

Date

2025/08/13

Date Created

2021/02/19

Author

chrismacdonald

default watermark

default watermark