



## Is There a Bubble Brewing in Commodities Today?

### Description

Commodities are taking off right now. Whether we're talking about copper, gold, or oil, commodities are (finally) having their day in the sun.

For Canadian investors, this is a great thing. After all, commodities make up a sizable portion of Canada's economy. The TSX is chock full of commodity plays, and investors have their pick of which options to choose. However, is now the time to get into commodity-heavy plays?

Let's discuss.

## Is there a bubble brewing in commodities?

When investors see the rapid price increases we've seen of late, it can be hard not to think that these price increases are unsustainable. Indeed, trees don't grow to the sky. And there's some concern that at some point, these prices will be regulated by increased supply or slower demand growth or both.

That said, right now, it's hard to make the case that there's a specific catalyst that will take commodity prices lower. This current inflationary environment sets the stage well for commodities. A depreciating U.S. dollar and post-pandemic demand expectations are spurring this sector higher.

According to Jim Rogers, **Quantum Fund** co-founder alongside George Soros, commodity prices were trading at artificially low levels for a long time. Many such investors predicted the boom we're now seeing in commodities. And this view isn't necessarily a fringe one.

I've been bullish on commodities for much of the past year, throughout the pandemic. Whenever a group of assets gets beaten down by exogenous factors to the degree commodities had this past year, a resurgence toward the longer-term mean only makes sense. However, the rate at which commodities have recovered has become the focal point of most investors.

Indeed, whether this rise in commodity prices can be sustained from here has resulted in calls that commodities are indeed in bubble territory. However, until the data proves otherwise, I think investors

need to consider the idea that this could be the “new normal” for some time.

## Copper touching decade highs

One commodity that's been in focus of late has been copper. In Canada, one of the ways investors have been playing this commodity is via **Teck Resources** ([TSX:TECK.B](#))([NYSE:TECK](#)). After all, tech is one of the largest Canadian copper players. This company is also a diversified play on the broader commodities space.

Accordingly, these commodity-heavy plays have seen some impressive price appreciation of late. Investors wondering if taking profits or getting in at these levels are good ideas need to make their own assessment of where the commodity space will be in a year from now.

And that's not an easy task.

However, with companies like Teck, it's important to focus on the fundamentals. Some analysts, such as fellow Fool contributor Andrew Walker, remain [bullish](#) on Teck. Indeed, I think this view is warranted today.

## Bottom line

Whether or not commodities are in a bubble is a question investors need to consider individually. However, I'd recommend those looking to play the commodities space to look at the underlying fundamentals of specific companies and see if they're within the specific risk parameters investors are comfortable with.

Commodities do provide a hedge to other asset classes and warrant a look in this regard. Additionally, there's always room for best-in-class operators like Teck with great fundamentals for investor portfolios at any time.

### CATEGORY

1. Investing
2. Metals and Mining Stocks

### POST TAG

1. growth
2. growth stocks
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### TICKERS GLOBAL

1. NYSE:TECK (Teck Resources Limited)
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