



## Worried About Inflation? Hedge Your Portfolio with Commodities

### Description

Inflation concerns are certainly wreaking havoc on the overall stock market right now. Indeed, growth stocks are seeing selling pressure the likes of which haven't really been seen in some time.

Accordingly, there may be an inclination for many investors to take profits at these levels and seek refuge. Commodities plays have provided such a refuge of late.

Indeed, investors seeking some commodities exposure right now may be wondering where to get started. After all, commodities have just enjoyed a massive bull rally of late.

Here's why I think more upside could be on the horizon for [Canadian commodities player Nutrien \(TSX:NTR\)\(NYSE:NTR\)](#). Indeed, Nutrien has seen some impressive stock price performance of late. However, this company may have a lot more lead left in its pencil.

Here's why.

### Surge in commodities may only just be getting started

Surging commodities prices have provided stocks like Nutrien with a much-needed boost of late.

Indeed, investors and market pundits have noticed the upside potential of Nutrien for some time. I've been bullish on this stock in recent years in what turned out to be a great buying opportunity for this stock.

As interest rates remain low and the U.S. dollar continues to see weakness via Central Bank monetary policy activities, I think commodities could be due for a sustained run higher. Combine Central Bank activities with fiscal policy stimulus, and investors have a deflationary trend in the U.S. dollar that's hard to ignore right now.

Additionally, rising demand for everything from food to base metals, lumber, and energy are likely to continue to support higher prices over the medium term. We're likely to see a resurgence in economic

activity the likes of which we haven't witnessed in decades. While commodities prices remain elevated, I think these prices don't fully reflect the medium-term reality approaching.

Accordingly, those bullish on the state of broader economy but less bullish on growth stocks may want to consider Nutrien at these levels. Indeed, if commodities prices remain elevated, Nutrien stands to benefit from a cash flow-growth perspective.

## Bottom line

Recent Q1 earnings from Nutrien speak to just how favourable this current environment has been from a cash flow perspective.

The company's \$476 million free cash flow this past quarter more than doubled year over year. Additionally, Nutrien's EBITDA soared 60%, while its retail operations saw growth of 12% on a year-over-year basis.

Granted, the baseline was Q1 2020, which wasn't particularly great for investors. However, this growth signals a reversal of the medium-term trend for Nutrien in a big way.

Nutrien's growth prospects in emerging economies as well as its stable and growing business in North America make this agricultural commodities plays one of my favourites in this market. Indeed, Nutrien is a stock that's difficult to ignore right now.

### CATEGORY

1. Dividend Stocks
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### TICKERS GLOBAL

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