



1 Top TSX Commodities Play Providing Excellent Portfolio Diversification

Description

Fear of an impending market crash is starting to build in the market. Today, new inflation numbers are expected to be released. These will come alongside a much-anticipated Fed dot-plot, which will be watched closely by economists and investors.

Accordingly, investors may be looking for a place to hide if inflation numbers turn out to be higher than expected. In such a situation, commodities have the potential to add a great deal of defensiveness and diversification to investor portfolios.

Those looking for a [dependable Canadian commodities](#) play could consider **Nutrien** ([TSX:NTR](#))([NYSE:NTR](#)). Of late, this potash and fertilizer producer has impressed shareholders with its stock price performance.

Here's why I think this top **TSX** play could be an ideal pick for investors looking to diversify their portfolio.

Surging commodity prices bullish for this top TSX commodities play

For commodity producers like Nutrien, the underlying prices of said commodities are of major importance to the analysis of whether or not to hold a given stock. Indeed, where prices are today matters. However, where prices are headed over the medium term is just as important.

Nutrien has benefited from increasing prices in the agricultural commodities business for some time. Indeed, Nutrien is one of the biggest names in global agri-business and is one of the biggest global players in the wholesale potash, phosphates, and nitrogen businesses. Now, with the prices for cash crops like wheat, corn, and soybeans rising, the demand and pricing of fertilizers have also increased.

Indeed, this surge in commodity prices has provided Nutrien with an important growth catalyst. Needless to say, if commodities prices continue to remain elevated for an extended period of time,

Nutrien could see absolutely incredible cash flow growth over the medium-term.

These rising commodities prices are just one catalyst investors have their eye on right now. Another key catalyst of late has been Nutrien's expansion of its retail network globally. A series of acquisitions has bosted Nutrien's footprint not only in North America but also in South America and Australia.

This geographic diversification helps to cushion the impact of cyclical commodity pressures. Having exposure to southern hemisphere agricultural centres also smooths out the harvest cycle, providing year-round growth for this major agri-business player.

Bottom line

Nutrien is a long-term winner no matter how one looks at it.

Sure, commodities prices are finally on the move higher. However, this stock has always been a defensive gem, even at lower commodities prices. That said, given the recent boost, Nutrien's results are becoming hard to ignore by the market. Nutrien posted EBITDA growth of 60% this past quarter. Its retail operations saw 12% year-over-year growth. And this comes as the company currently trades around 1.6-times book value.

Given the momentum Nutrien has at its back, I'd expect to see greater outperformance over the long run. This is a stock every investor should consider for diversification today.

CATEGORY

1. Investing
2. Metals and Mining Stocks

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