



2 Top Canadian Commodity Stocks to Buy on Dips

Description

The stock market rally off the 2020 crash is due for a healthy correction. Investors who missed the surge are wondering which top Canadian stocks might be good buys on a [pullback](#).

Teck Resources

Teck Resources ([TSX:TECK.B](#))([NYSE:TECK](#)) produces metallurgical coal, copper, and zinc. The share price soared from a low near \$9 per share in March 2020 to as high as \$31 last month. In the past couple of weeks, however, the stock has given back some of the gains. At the time of writing, Teck Resources trades near \$26.

Metallurgical coal is used to make steel. The company saw a boost in demand from China in the past year after the country reduced purchases from Australian suppliers due to a political dispute. Trade talks resumed earlier this year, but China [cancelled the trade discussions](#) in May. An extended Chinese ban on Australian coal would likely benefit Teck Resources.

Copper prices surged from US\$2 per pound in 2020 to a 2021 high of US\$4.75. The price is back down to \$4.30 after traders decided to book profits and the U.S. dollar started moving higher after a steady slide. Copper is priced in dollars, so a rising greenback can provide a headwind to higher copper prices.

The near-term copper volatility could continue, but the outlook over the next two or three years should be very positive. Fiscal stimulus spending is ramping up on electric vehicles and renewable energy power developments. Copper is a key component in electric cars, solar panels, and wind turbines.

Any additional downside from the current price should be viewed as a buying opportunity for Teck Resources stock.

Suncor Energy

Suncor ([TSX:SU](#))([NYSE:SU](#)) took a big hit in 2020 when a plunge in fuel demand hammered oil prices and reduced sales for refineries and service stations.

Things are better today, however. Oil prices have doubled since October last year and fuel demand is on the rise. Commuters will start heading back to the office in the coming weeks and months. Some people will still work from home part of the week, but that could be offset by more people driving to work who had historically used public transit. While the COVID-19 numbers are down, but fear of variants could keep people off subways and commuter trains.

Jet fuel demand is rising in the United States as domestic travel ramps up. Canadian provinces are also easing border and quarantine restrictions for travel within the country. Air travel between Canada and the United States could open up completely by the end of 2021 or in early 2022.

Suncor is already benefitting from the surge in oil prices. Investors could see Q2 numbers come in better than expected. Suncor is using excess cash to pay down debt and repurchase stock. A return to dividend hikes should be on the way in 2022 after the board slashed the payout by 55% last year to preserve cash.

The stock looks cheap at \$30 per share. Any dip on a market sell-off would be a good chance to add to the position.

The bottom line

Teck Resources and Suncor are leaders in their respective industries. A bull market in commodity prices is underway and could last for several years. If you have some cash to put to work, these stocks look like solid picks on a pullback.

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1. Energy Stocks
2. Investing
3. Metals and Mining Stocks

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2. NYSE:TECK (Teck Resources Limited)
3. TSX:SU (Suncor Energy Inc.)
4. TSX:TECK.B (Teck Resources Limited)

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