



2 Top Canadian Commodity Stocks to Buy Right Now

Description

Commodity stocks are among the high-flyers many investors didn't see coming. Indeed, a bull market in commodities has taken this relatively [undervalued](#) sector to levels that may be considered reasonably valued of late.

Hit hard by the pandemic, many investors sought to limit exposure to commodities, and for good reason. Commodities are generally sensitive to supply and demand moves. When demand drops off a cliff, and supply remains high (supply is less elastic than demand), prices can plummet, fast. Such was the case last year.

Everything from gold to corn dropped precipitously in a short amount of time.

However, this economic recovery has re-shaped the supply and demand equation for investors. Accordingly, commodities are once again "cool."

Let's dive into two commodities stocks I've been bullish on of late. These are two plays that have held their own over time, and which look well-positioned in this current commodities bull market.

Top commodities stocks: Nutrien

A top fertilizer and farming inputs provider, **Nutrien** ([TSX:NTR](#))([NYSE:NTR](#)) has been a top pick of mine over the past five years. The thesis with this stock is pretty simple: folks need to eat. Global demand for food production continues to increase at a relatively stable rate, at low-single-digits every year.

However, outsized supply in this sector has hurt the prices of inputs such as potash, nitrogen, and various phosphates. This has hurt Nutrien's valuation in recent years.

That said, courtesy of this commodities boom, Nutrien stock is once again on the right track. Trading near its 52-week high, Nutrien is a company that's been handed a big boost from outsized demand growth expectations for the years to come. This has propelled the company's valuation above [\\$50 billion](#)

for the first time since Potash merged with Agrium years ago.

One of the attributes I've harped on for some time with Nutrien is the company's vertically integrated business model. Nutrien owns an enormous network of retail stores, a major reason behind the huge success of this commodity stock.

This further substantiates why this stock is worth allocating funds to now. In fact, roughly half of Nutrien's total EBITDA came from the EBITDA that the retail stores earned in Q2.

West Fraser Timber

Investors inclined to lumber stocks can consider **West Fraser Timber** ([TSX:WFG](#)) right now. This company is one of the biggest lumber players based in Canada. The company has also gained from the increasing commodities prices lately. Individuals who have seen how lumber prices have performed this year will note the exuberance this sector has seen.

While lumber prices have fallen dramatically since their peak this summer, West Fraser's stock price has held steady. That's because this company's valuation factored in some sort of selloff in lumber prices toward a longer-term mean.

That said, I think there's reason to be bullish on West Fraser's medium-term outlook from here. As long as home building remains strong in the U.S. and folks continue renovating their houses, West Fraser is a stock to consider.

In the last quarter, this Vancouver-based forestry organization harvested \$2.1 billion in adjusted EBITDA. These incredible results were driven mainly by higher commodities prices. However, this represents triple-digit growth on a year-over-year basis.

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2. TSX:NTR (Nutrien)
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