



1 Top Canadian Commodities Stock Providing Portfolio Diversification

Description

With COVID 19, commodity production took a big hit. With the reopening thesis underway, commodities stocks have rebounded substantially. However, one commodities stock I think has perhaps the best outlook right now is **Nutrien** ([TSX:NTR](#))([NYSE:NTR](#)).

Indeed, I've been bullish on Nutrien for some time. And the thesis hasn't changed for this stock. That said, let's dive into why Nutrien may be a commodities stock investors should consider right now.

Favourable future for this commodities stock

Indeed, there's a reason why analysts are bullish on Nutrien. Rising prices in the commodities sector have benefited Nutrien and its peers. Accordingly, there's the expectation Nutrien could post record profits in the years to come.

Expectations from analysts are that Nutrien should earn between US\$4.93 to US\$4.75 per share this year. Given the stock's [current price around US\\$70](#), that implies a price-to-earnings ratio of roughly 14. That's not bad.

Furthermore, expectations are that Nutrien is likely to reward its investors with even higher earnings in 2022.

Target share prices have also been boosted from US\$80 to US\$89, where the average on-street price is around US\$75 dollars. Interested investors must grab this opportunity.

Much of this view comes from what is an overly favourable view of where commodities prices may be headed in an inflationary environment. In either case, I see Nutrien stock as an excellent inflation hedge as we head into 2022.

Diversification is key

Owning commodities in times of economic stress can be a hard thing to do. However, those who took my recommendations on Nutrien stock last year have done quite well for themselves.

Indeed, there's something to be said about diversification. Owning a truly diversified basket of equities can enhance risk-adjusted returns over time. In the short term, one may underperform for some time. However, owning high-quality companies from a range of sectors typically balances out returns over time.

Such has been the case with Nutrien. A top commodities stock, Nutrien provides a level of defensiveness that's becoming increasingly important as valuations rise. Accordingly, right now is the right time to consider adding exposure to commodities in general, in my view.

Bottom line

Nutrien is a commodities stock that has proven to be a great long-term holding. Indeed, any stock with market-altering pricing power is one I like in the commodities space. Nutrien is one such player.

There are few commodities stocks I remain bullish on. However, Nutrien always seems to get the nod. This company's profitability levels and [dividend](#) are likely to continue to increase in the quarters to come. Accordingly, I think now is a great entry point for this stock for long-term investors that are intrigued by what Nutrien has to offer.

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