



1 Top Canadian Commodities Stock to Consider Right Now

Description

The commodities space is one that has been an outperformer this year. Indeed, not many investors saw that coming last year, given the pandemic-driven demand decline we saw. However, there are a number of commodity plays that may have more room to run from here. One such commodity stock I've got my eye on right now is **West Fraser Timber** ([TSX:WFG](#))([NYSE:WFG](#)).

Yes, this is a stock that's been on a nice run. However, there are key fundamental drivers that could take this stock higher in the coming months.

Let's dive into why this is the case.

Norbord addition: Big win for this commodities stock

Earlier this year, West Fraser [completed its acquisition](#) of Norbord in a rather large sector consolidation.

This deal both increased West Fraser's market share and made the company's business model more attractive to investors thinking long term about the lumber sector.

This year, lumber prices have been extremely volatile, surging over the summer and recently falling back to earth. However, this combination has made West Fraser's unit economics among the best in the sector. Accordingly, investors looking at this stable, [dividend-paying](#) stock may like the current positioning of West Fraser right now.

It's estimated that the Norbord addition improved West Fraser's recent quarterly results, despite a decline in lumber prices from all-time highs. The Vancouver-based organization reported earnings per share US\$4.20 this past quarter. This was compared to US\$3.82 per share in Q3 2020. However, these numbers were down significantly from last quarter's record EPS performance of US\$12.32, relating to the lumber price surge we saw in Q2.

Bottom line

West Fraser Timber is one of the largest Canada-based lumber players. Lately, this company has been in the right place at the right time. And while West Fraser's recent quarterly results didn't match up to Q2, investors didn't expect them to.

What's intriguing to me about WFG stock right now is its valuation. Currently trading at three times earnings (this number will inflate, given where commodity prices are right now), West Fraser is certainly a company in the value category.

That said, where commodity prices go from here is what many investors will be keeping an eye on. This bull market in commodities has bene rather impressive. Accordingly, West Fraser remains an interesting bet on where commodity prices may be headed in the coming quarters.

For now, I'm on the sidelines with respect to this stock. However, West Fraser is one commodities stock on my watch list right now.

CATEGORY

1. Dividend Stocks
2. Investing

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2. TSX:WFG (West Fraser Timber Co. Ltd.)

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