



2 Top Commodity Stocks to Buy to Combat Inflation

Description

Investors are searching for top Canadian commodity stocks to help protect their savings from the impacts of higher inflation.

Nutrien

Nutrien ([TSX:NTR](#))([NYSE:NTR](#)) is the world's largest supplier of potash. It is also a leading producer of nitrogen and phosphate. These crop nutrients are used by farmers around the globe to improve yields on their fields.

Potash prices are near their highest levels in a decade. The surge in the price is due to rising demand, as growers take advantage of elevated crop prices to boost acreage. Nutrien sees the strong market conditions continuing through 2022, and the [sector](#) could be in the early innings of a multi-year surge.

Nutrien finds itself in an enviable position in the industry. Thanks to heavy capital investments made by Potash Corp and Agrium before they merged in 2018 to become Nutrien, the company has capacity to add supply relatively quickly. Nutrien increased potash output by one million tonnes in the second half of 2021 to fill excess market demand.

Sanctions against major producers Belarus and Russia will drive more demand to Nutrien this year.

Nutrien generated record adjusted EBITDA of US\$2.5 billion in Q4 2021 and record full-year adjusted EBITDA of US\$7.1 billion. Management used excess cash to reduced debt by US\$2.1 billion during the year.

When the results came out the company announced a dividend increase and said it plans to buy back up to 10% of its outstanding stock over the course of the next 12 months.

Nutrien stock trades near \$99 per share on the TSX at the time of writing. It wouldn't be a surprise to see the share price hit \$120 by the end of the year.

Barrick Gold

Barrick Gold ([TSX:ABX](#))(NYSE:GOLD) reported strong Q4 2021 results and is poised to have a great start to 2022. The price of gold recently topped US\$1,900 per ounce compared to US\$1,800 at the beginning of February and could steadily trend higher this year, as investors seek protection against inflation.

Gold is also viewed as a safe-haven asset. The decision by Russia to move its military forces into Ukraine has triggered uncertainty in global financial markets. As the situation plays out, gold demand could pick up momentum.

Barrick Gold raised its base dividend by 11% and will now increase the payout according to the net cash the company has on the balance sheet. Investors could see meaningful payout increases as free cash flow expands with the rise in the price of gold.

Barrick Gold also plans to buy back up to US\$1 billion in stock under a new share-repurchase program.

The shares trade near \$29 on the TSX at the time of writing. That's up from \$23 earlier this year, but Barrick Gold still looks [undervalued](#). The stock was close to \$40 when gold soared to US\$2,080 in 2020. The price of gold could easily hit or top that level in the coming months.

The bottom line on top commodity stocks

Nutrien and Barrick Gold are leaders in their respective industries and should generate strong results in 2022. The stocks look attractive right now for investors who want to own companies that tend to benefit in an inflationary environment.

CATEGORY

1. Investing
2. Metals and Mining Stocks

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2. NYSE:NTR (Nutrien)
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