



Haven Assets: 2 Commodity Stocks to Buy Today

Description

Investors consider the financial sector of the **S&P/TSX Composite Index** a heavyweight because it houses the Canadian big banks. However, apart from energy, the [basic materials](#) sector outperforms lenders, insurers, and asset managers by a mile thus far in 2022.

Commodity stocks, particularly oil and metal stocks, have become haven assets amid the stalled global economic growth and [rising interest rates](#). Among the top picks right now are **Vermilion Energy** ([TSX:VET](#))([NYSE:VET](#)) and **Turquoise Hill Resources** ([TSX:TRQ](#))([NYSE:TRQ](#)). Their share prices have increased tremendously in one year and could still [soar through the roof](#) this year.

Incredible comeback

Vermilion Energy sank into the abyss at the height of the global pandemic. From \$20 on year-end 2019, the share price tanked 88% to \$2.39 on March 18, 2020. Besides losing 72% for the year, the \$4.7 billion oil & gas producer had to slash dividends twice during the month before stopping the payouts altogether in mid-April 2020.

Management cited evolving business conditions and ultra-low commodity prices for the drastic action. However, in 2021, the trend has reversed with the reopening of borders and lifting of travel restrictions. Oil prices started to rise when demand outpaced supply.

Vermilion made an incredible comeback last year and rewarded investors with a 180% overall return. Net earnings in 2021 reached \$1.1 billion compared to the \$1.5 billion net loss in 2020. Total sales (petroleum and natural gas) increased 86% year over year. The year's highlight was the 304% increase in free cash flow to \$545 million versus the previous year.

The strong financial and operating results enabled the company to reduce debt by \$365 million. On year-end 2021, the net debt to trailing funds flow ratio is less than 50% compared to the start of the year. Fast forward to Q2 2022, and Vermilion Energy is still a winning stock.

At \$28.22 per share, the trailing one-year price return and year-to-date gain are 235.99% and 81.48%,

respectively. On March 4, 2022, Vermilion Energy announced the return of quarterly dividends (0.21% annually) effective April 18, 2022.

According to management, it will evaluate the return of capital to shareholders this year. It could be an increase in quarterly dividend, share buybacks, a special dividend, or any combination of them. Market analysts covering Vermilion forecast a price appreciation between 16% and 88% in 12 months.

High flyer

Turquoise Hill has risen from obscurity and deserves to be in investors' buy list this April. Like Vermilion, this mining stock is a high flyer in 2022 with its 80% year-to-date gain. This \$7.61 billion international mining company has a material mineral resource property in Mongolia. It operates and develops Oyu Tolgoi, a copper-gold mine.

Despite the fallout from the pandemic in 2021, the top and bottom lines increased 82.8% and 37.7%, respectively, versus 2020. Gold (181%) posted the most significant year-over-year percentage increase in revenue, followed by copper (51.1%) and silver (17.8%).

Steve Thibeault, Turquoise Hill's interim CEO, said Oyu Tolgoi is now a high-grade underground mine. Management expects the company to become one of the world's fastest-growing major copper producers.

Good news

Greg Taylor, the chief investment officer at Purpose Investments, said the outperforming resources sectors is good news for the TSX. Vermilion Energy and Turquoise Hill are commodity stocks you can pick up this instant.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:TRQ (Turquoise Hill Resources)
2. NYSE:VET (Vermilion Energy)
3. TSX:TRQ (Turquoise Hill Resources)
4. TSX:VET (Vermilion Energy Inc.)

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