



3 Mining Stocks That Could Provide a Hedge Against Inflation

Description

Last week, Statistics Canada announced that Canada's inflation rate rose to 6.7% in March, representing a 1% increase from February levels. The broad-based price rise has driven Canada's inflation to a 31-year high. Meanwhile, investors can hedge against high inflation by investing in mining stocks, which could benefit from rising prices. So, if you wish to invest in mining stocks, here are my three top bets.

Turquoise Hill Resources

Turquoise Hill Resources ([TSX:TRQ](#))([NYSE:TRQ](#)) operates and focuses on developing the Oyu Tolgoi copper-gold mine in southern Mongolia. With returns of over 73%, the company has outperformed the broader equity markets this year. Rising commodity prices and its solid fourth-quarter performance have increased its stock price.

Meanwhile, analysts are bullish on copper, with **Goldman Sachs** expecting copper prices to touch US\$13,000/tonne over the next year. Higher copper prices could benefit Turquoise Hill, which expects to produce 110,000-150,000 tonnes of copper this year. Further, its management recently [raised](#) its gold production guidance for 2022 to 135,000-165,000 ounces. So, the company's outlook looks healthy. Also, it is trading at a reasonable valuation, with its NTM price-to-earnings multiple at 25.5.

Teck Resources

Teck Resources ([TSX:TECK.B](#))([NYSE:TECK](#)), which mines copper, zinc, and steel-making coal, reported an impressive unaudited first-quarter performance yesterday. Its adjusted profits attributed to shareholders came in at \$1.6 billion compared to \$326 million in the previous year's quarter. Its adjusted EBITDA grew more than three times to \$3.04 billion, with higher commodity prices boosting its financials. Supported by its strong cash flows, the company announced a new share-repurchase program of US\$500 million.

By the end of the quarter, Teck Resources had completed 82% of the construction of its QB2 project.

The management expects the long-life, low-cost copper mine to become operational in the fourth quarter of this year. So, with the commodity prices projected to remain elevated in the near to medium term, the company's strengthening of its production capabilities could boost its financials in the coming quarters. Despite the healthy outlook, the company trades at an attractive NTM price-to-earnings multiple of 4.5. So, [I am bullish on Teck Resources](#).

Nutrien

Nutrien ([TSX:NTR](#))([NYSE:NTR](#)) produces and distributes around 27 million tonnes of potash, nitrogen, and phosphate products globally. Last year, Russia and Belarus together accounted for around 40% of global potash production. However, the ongoing Russia and Ukraine conflict has disrupted the supply chain of potash. With Russia temporarily suspending the export of fertilizers, and the European Union issuing sanctions on Belarus, potash prices have increased by over 150% in the last few months.

To benefit from higher prices, Nutrien announced it will produce one million tonnes more of potash than its earlier stated guidance, with most of the increases expected to come in the second half of this year. So, the increased production and higher prices could boost the company's financials in the coming quarters. Amid its robust cash flows, the company has announced a new share-repurchase program, which could lower its share count by around 10%. It also reduced its debt levels by \$2.1 billion last year, which is encouraging.

Considering all these factors, Nutrien has provided optimistic guidance for 2022. The management expects its adjusted EPS to come in at \$10.2-\$11.8 compared to \$6.23 in 2021. Notably, the company currently trades at an attractive NTM price-to-sales multiple of 6.7. So, I believe Nutrien would be an excellent buy right now.

CATEGORY

1. Investing
2. Metals and Mining Stocks

TICKERS GLOBAL

1. NYSE:NTR (Nutrien)
2. NYSE:TECK (Teck Resources Limited)
3. NYSE:TRQ (Turquoise Hill Resources)
4. TSX:NTR (Nutrien)
5. TSX:TECK.B (Teck Resources Limited)
6. TSX:TRQ (Turquoise Hill Resources)

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