



This Stock Doubled in a Just Over a Year — But it's Still Cheap

Description

Given the recent surge in commodity prices, the many Canadian mining stocks are starting to look compelling. Some of the better-run miners out there aren't just able to benefit from continued appreciation in commodity prices. Still, they're also able to return capital into the pockets of shareholders through dividends and dividend raises.

Undoubtedly, commodities can be quite [cyclical](#), leading to massive [upswings](#) and downswings in the share prices of their miners. That said, not all miners are built the same. Some sport better operating economics with higher breakeven prices, allowing for dividends to be paid out, even if commodity prices were to be on the receiving end of a cyclical downswing.

The case for riding high on momentum in commodity stocks

Indeed, cyclicalities are off-putting for many investors. Today, it seems like the easy money has already been made in the miners. Commodity prices have already rocketed higher, propelling the share prices of many miners to new 52-week or all-time highs. Though it's tough to predict where commodities will head next, I think that miners are an essential addition to a portfolio at a time like this, when there's so much geopolitical risk and not many places to hide in the broader equity markets.

Inflation and stock market turbulence have been two significant worries that have made investors quite uneasy in recent months. Commodities, especially oil and fertilizers, have continued strong in the face of broader market volatility. It's this low degree of correlation to other assets, most notably stocks and bonds, that can help investors reduce risk or at the very least improve upon diversification.

Staying diversified is key to surviving these market swoons, where volatility is concentrated across just a few sectors. Indeed, tech has been reeling of late. And although other sectors have begun to sink, I think that investors with diversified portfolios will fare fine over the long run if they stick with it.

So, which miners can help you combat volatility at a time like this?

Nutrien ([TSX:NTR](#))([NYSE:NTR](#)) is one of the best commodity miners that Canadian investors may

wish to add to their shopping lists amid the commodity price boom.

Undoubtedly, the Ukraine-Russia crisis is a major reason why commodities (fertilizer and energy prices) are elevated. And for those overexposed to geopolitical turmoil, commodity plays can act as a great hedge.

Nutrien: A global fertilizer kingpin that's still cheap

Nutrien is one of the largest fertilizer producers in the world, with some of the best economics in potash production. Since the Ukraine-Russia conflict, shares of NTR have been on an incredible run, surging 80% over the past year. While I'm no fan of chasing, I think that Nutrien stock is one of the few momentum stocks out there that has real earnings supporting its rally.

If it doesn't continue surging, it has the means to become much cheaper in a hurry. That's thanks to Nutrien's incredibly efficient operations. With the recent commodity price surge, Nutrien stands to experience a massive rise in cash flows. Such a surge may or may not last three years down the road. Ultimately, that depends on whether the Ukraine-Russia conflict can end peacefully.

With a 1.8% dividend yield and 13.5 times earnings multiple, I'd argue that the risk/reward tradeoff is heavily in favour of investors, especially those who lack any exposure to any commodity miners.

CATEGORY

1. Investing
2. Metals and Mining Stocks

TICKERS GLOBAL

1. NYSE:NTR (Nutrien)
2. TSX:NTR (Nutrien)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Smart News
8. Yahoo CA

PP NOTIFY USER

1. joefrenette
2. kduncombe

Category

1. Investing
2. Metals and Mining Stocks

Date

2025/09/08

Date Created

2022/05/09

Author

joefrenette

default watermark

default watermark