



Is Nutrien Stock or Barrick Gold Stock a Buy?

Description

Commodity stocks are giving back some gains, and that has investors who missed the big rallies in 2022 wondering which ones might now be [undervalued](#). Let's take a look at **Nutrien** ([TSX:NTR](#))([NYSE:NTR](#)) and **Barrick Gold** ([TSX:ABX](#))([NYSE:GOLD](#)) to see if one deserves to be on your buy list.

Nutrien

Nutrien produces potash, nitrogen, and phosphate. These crop nutrients are used by farmers around the globe to get better yields from their land. Nutrien also has a large retail division that sells seed and crop protection products to more than a half million customers. In addition, Nutrien is building a digital services business to help customers sell their products in an efficient and timely way.

Nutrien reported strong Q1 2022 results and significantly increased its EBITDA guidance for the year due to the ongoing rally in fertilizer prices and the anticipated revenue boost from a planned increase in potash production. Nutrien has spare capacity it can bring online at relatively low cost due to extensive capital programs that its predecessor companies, Agrium and Potash Corp, completed before their merger in 2018.

Nutrien increased potash production by one million tonnes in the second half of 2021 and is boosting output by another one million tonnes this year to meet supply gaps caused by sanctions on Belarus and Russia. The two countries typically provide 40% of the supply to the global market and, according to Nutrien, have suffered a 20% sales decline in the first quarter of this year.

Nutrien is a cash machine in the current market conditions, and elevated prices for fertilizer are expected to remain in place for some time.

The stock trades near \$122 per share at the time of writing compared to the 2022 high around \$148. It is still up 36% on the year, so more volatility should be expected, but investors who are bullish on commodity prices might want to start nibbling at this level.

Barrick Gold

Barrick Gold finished Q1 2022 with a net cash position of more than US\$700 million. Under the new dividend program, this means investors are getting a US\$0.10 bonus dividend on top of the quarterly base dividend of US\$0.10 per share.

Barrick Gold continues to invest in exploration across its portfolio of assets, and the results are delivering new resource finds that are larger than the annual gold production. At the same time, Barrick Gold is buying promising sites around the globe that should ensure long-term production remains at or above current levels.

The company owns six of the top 10 mines on the planet and has restructured the business over the past several years to be lean and flexible with a focus on delivering attractive returns on investments and growing free cash flow.

The stock is down to \$26.50 on the TSX from the 2022 high of \$33.50. Gold trades near US\$1,825 per ounce compared to more than US\$2,000 during the surge in early March. A rising U.S. dollar is the main driver of the gold pullback, and that pressure could remain in place through the end of the year.

At the same time, gold might pick up a new tailwind, as cryptocurrencies continue to crash, and global investors seek out a safe haven amid soaring inflation and falling stock prices.

At the current gold price, Barrick Gold is still generating significant profits, and the stock pullback appears overdone.

Is Nutrien or Barrick Gold a buy?

Investors should expect ongoing volatility, so I would keep any new investment small. That being said, the share prices appear attractive at current levels and could deliver nice gains on the next commodities surge. Nutrien probably has the better odds of a big bounce before the end of the year.

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Author

aswalker

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