



3 Commodity Stocks Are Safety Nets and Inflation Hedges

Description

There's no denying that commodity stocks are still in overdrive entering June 2022. The [energy sector](#) is ahead by a commanding 67.6% year to date. Because of surging inflation and supply-chain disruptions brought by the war in Eastern Europe, people are in constant search of safety nets.

Vermilion Energy ([TSX:VET](#))([NYSE:VET](#)) is a top pick because of its unstoppable climb. However, investors can't limit their choices to oil players. **Nutrien** ([TSX:NTR](#))([NYSE:NTR](#)) and **Wesdome Gold Mines** ([TSX:WDO](#)), along with Vermilion, are among the volume leaders these days. Any one of these stocks could be your inflation hedge.

Top price performer

Vermilion Energy plunged to as low as \$2.39 on March 18, 2020, but is now a top price performer. At the current share price is \$28.71, the trailing one-year price return is 207.42%, while the year-to-date gain is 80.97%. Had you invested \$6,000 on June 1, 2021, your money would have grown to \$17,704.01 today.

The \$4.74 billion oil & gas exploration & production company benefits greatly from higher commodity prices. Lorenzo Donadeo and Dion Hatcher, Vermilion's executive chairman and president, respectively, said the company is off to a strong start in 2022.

Management reported a 43% drop in net earnings in Q1 2022 versus Q1 2021 but saw its free cash flow (FCF) soar 287% year over year to \$304.5 million. Vermilion hedges to manage commodity price exposures and increase the stability of its cash flows. Because of the healthy cash flows, the company reinstated the quarterly dividends during the quarter. If you invest today, the dividend offer is 0.42%.

Global food security

Nutrien's spectacular run this year is ongoing. Investors enjoy a 26.38% gain in addition to the decent 2.06% dividend. Also, at \$119.59 per share, the trailing one-year price return is 64.99%. In 3.01 years,

the total return is 102.51% (26.46% CAGR).

The \$65.93 billion company provides crop inputs and services globally. Nutrien's interim president and CEO Ken Seitz said, "Global agriculture and crop input markets are being impacted by a number of unprecedented supply disruptions that have contributed to higher commodity prices and escalated concerns for global food security."

In Q1 2022, sales and net earnings increased 64% and 941% versus Q1 2021. Management also reported FCF of US\$1.81 million — a 281% year-over-year jump. Seitz expects Nutrien to generate higher earnings and cash flows in 2022. The company will accelerate its strategic initiatives and create long-term shareholder value.

Growth stock

Wesdome is up by only 4.69% year to date (\$12.05 per share), but it's a solid pick for growth investors. The gold stock is one of only four names that made in all three years of **TMX Group's** flagship program for growth stocks. It ranked 19th, seventh, 10th in 2019, 2020, and 2021, respectively.

Despite the challenging environment in Q1 2022 due to the unpredictable supply chain, Wesdome's operating cash flow and cash margin increased 36% and 39% versus Q1 2021. Net income, however, declined slightly by 1%. The \$1.71 billion company has two producing underground gold mines and expects to return to positive FCF status in the second half of 2022.

Logical strategy

Market analysts believe that moving to commodities is the logical approach, given the bull run of oil and fertilizer producers plus miners. Vermilion, Nutrien, and Wesdome are classic inflation hedges, to name a few.

CATEGORY

1. Investing

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1. NYSE:NTR (Nutrien)
2. NYSE:VET (Vermilion Energy)
3. TSX:NTR (Nutrien)
4. TSX:VET (Vermilion Energy Inc.)
5. TSX:WDO (Wesdome Gold Mines Ltd.)

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