



Top 3 Stocks for the Ongoing Commodity Boom

Description

The commodity market hinges on simple supply-demand dynamics. Over the past decade, we've underinvested in production which has limited our supply of essential commodities. Meanwhile, demand is sky high and likely to surge further.

Some analysts believe the commodity boom could last several years — a supercycle. If this is the case, investors might want to add some exposure to the best commodity stocks on the market. Here are the top three that should be on your radar in 2022.

Lithium

Lithium is a critical element in the world's most important energy product: batteries. Lithium-ion batteries are ubiquitous in all our devices, but there's a wave of new demand from the ongoing transition to electric vehicles.

In fact, demand has surged so rapidly that lithium producers have struggled to keep up. The current method of lithium extraction is simply too slow to meet global demand for EV production. That's why lithium prices have surged 700% since the start of 2021.

This unprecedented bull market is a major tailwind for producers like **Lithium Americas** ([TSX:LAC](#))([NYSE:LAC](#)). The company doesn't currently produce lithium but has control over three mining sites that could be operational as soon as this year. If the price of this commodity remains elevated and production starts on schedule, the stock could surge.

Copper

Copper is another critical component of electric vehicles. In fact, most traditional internal combustion engine vehicles also use copper in their wiring harnesses. The transition to EVs greatly increases demand for this commodity.

Unfortunately, the sector hasn't attracted enough capital over the past decade. There are very few producers with limited capacity, which is creating a shortage. Copper prices have surged 125% from their March 2020 lows.

Mining giant **Teck Resources** ([TSX:TECK.B](#))([NYSE:TECK](#)) has considerable exposure to copper. In fact, the company's four mines contribute roughly 34% of its gross annual income right now. Unsurprisingly, the stock is up 90% over the past 12 months. If the supply crunch continues, Teck stock could see further upside ahead.

Oil

The oil rally is, perhaps, the most noteworthy. Two years ago, producers were willing to pay to have barrels taken away. Now, the pendulum has swung to the other end, and we face an [energy crisis](#).

A barrel of oil is trading well above \$100. Most Canadian oil producers need just \$70 to produce handsome cash flows. Put simply, oil stocks are in a strong position.

Canadian Natural Resources ([TSX:CNQ](#))([NYSE:CNQ](#)) is the biggest oil and gas producer in the country. The stock is up 714% since 2020 lows. It's still trading at a price-to-earnings ratio of just 10.8. If the price of oil remains elevated or surges further, this company could significantly boost its buybacks and dividends.

The stock already offers a 3.4% dividend yield. With more cash flow ahead, this could be the perfect opportunity for investors seeking secure passive income over the long term. Keep a close eye on this opportunity.

CATEGORY

1. Investing
2. Metals and Mining Stocks

TICKERS GLOBAL

1. NYSE:CNQ (Canadian Natural Resources)
2. NYSE:LAC (Lithium Americas Corp.)
3. NYSE:TECK (Teck Resources Limited)
4. TSX:CNQ (Canadian Natural Resources Limited)
5. TSX:LAC (Lithium Americas Corp.)
6. TSX:TECK.B (Teck Resources Limited)

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. kduncombe

Category

1. Investing
2. Metals and Mining Stocks

Date

2025/07/19

Date Created

2022/06/07

Author

vraisinghani

default watermark

default watermark