



Why the New TSX Battery Metal Index Should Be on Your Radar

Description

The TSX recently announced the launch of a new index: the S&P/TSX Battery Metals Index. The idea is to group together Canadian businesses engaged in the mining, processing, and distribution of metals (like nickel, cobalt, copper, etc.) used in the batteries, predominantly for EVs.

It's a step towards TSX's commitment to a greener future and global net-zero targets. For investors, this might trigger even more investment opportunities for [ESG investing](#). If ETFs around this index start appearing, it might funnel more investment capital towards these companies.

So, even if you are not seeking exposure to the whole index at once, you might consider investing in some of its constituents in anticipation of the upcoming growth. And there are two that should be on your radar right now.

A Toronto-based mining company

Even though many metals have gained prominence since the EV boom, copper remains one of the chief components. As the primary conductor, copper's demand is for more than just batteries, since it's also the central part of an EV's "engine."

This makes the Toronto-based **Hudbay Minerals** ([TSX:HBM](#))([NYSE:HBM](#)) a worthy long-term investment. The company has mining operations in the U.S., Canada, and Peru. Its Peru and U.S. operations are primarily copper focused, with a little bit of gold in the case of Peru. The Canadian operations, however, are focused on copper *and* zinc, which is another battery metal highly in demand.

The company and its stock have seen much better days, and it used to trade at a three-digit price tag before 2005. Since then, the stock has struggled to remain in the higher double digits. In the last five years, the stock has peaked twice, growing over 100% once and over 450% in the second instance.

A Vancouver-based mining company

First Quantum Minerals ([TSX:FM](#)) is one of the top 10 copper producers in the world, with a diverse portfolio of assets. It has mines and operational facilities to process the copper concentrate and turn it into cathodes and anodes for batteries. It has operations in four continents: South America, Africa, Europe, and Australia.

Being a leader with such a diversified portfolio, which gives it access to multiple markets from a logistics standpoint as well, makes it an ideal candidate if you are looking for exposure to copper. And even though other battery metals like cobalt, nickel, and zinc are also part of its portfolio, its core strength is copper.

The stock is currently trading near its all-time high and is up 195% from its pre-pandemic peak. If it weren't for its decent valuation, the stock would have been poised for a brutal correction. It might experience one nevertheless, and that would be the perfect time to buy it.

Foolish takeaway

The battery metals and companies engaged in their extraction and processing carry one small risk that hasn't been priced into almost any associated stock yet. It's the risk of a different battery technology that's better than the current lithium-ion one hitting the market. This can radically change the EV market and render many businesses obsolete.

CATEGORY

1. Investing
2. Metals and Mining Stocks

TICKERS GLOBAL

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2. TSX:FM (First Quantum Minerals Ltd.)
3. TSX:HBM (Hudbay Minerals Inc.)

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