



3 Commodity Stocks to Buy Amid Rising Volatility

Description

The global equity markets are under pressure amid rising commodity prices. For May, the U.S. Consumer Price Index rose by 8.6%, which was the highest since 1981. The rising energy and food prices amid the ongoing war have driven the index. Meanwhile, investors are worried that the Federal Bank could become aggressive in its interest rate hikes to cool down inflation. So, these concerns have made investors nervous, dragging the equity markets down.

However, rising commodity prices could benefit the following three stocks, thus providing excellent buying opportunities in this volatile environment.

Canadian Natural Resources

Canadian Natural Resources ([TSX:CNQ](#))([NYSE:CNQ](#)) operates a diversified portfolio of energy assets, covering natural gas, crude oil, and bitumen. Given its long-life, low-decline asset base, the company would break even provided WTI crude trades around US\$35/barrel. Meanwhile, WTI crude is trading around US\$120/barrel, while analysts expect it to rise further. Given the favourable market conditions, I expect the company's margins to expand in the coming quarters.

Further, Canadian Natural Resources has committed a capital investment of \$3.6 billion this year, including drilling 11 wells per quarter. Along with these initiatives, strategic acquisitions could boost its production in the coming years. The company expects its oil production to increase by 60,000 barrels of oil equivalent per day this year. Further, its production could increase by 63,000 annually over the next three years. So, rising oil production and increased oil prices could boost Canadian Natural Resources's financials and stock price.

Further, the company also pays a quarterly dividend of \$0.75/share, with its forward yield at a healthy 4.4%. Despite rising over 50% since the beginning of this year, its NTM [price-to-earnings](#) multiple stands at an attractive 6.7, making it an excellent buy in this volatile environment.

Lundin Mining

Lundin Mining ([TSX:LUN](#)), which mines copper, zinc, gold, and nickel, is my second pick. Amid the recent correction, the company has lost around 28.5% of its stock value compared to its April highs. The pullback offers an excellent entry point, as commodity prices could remain elevated.

Amid the ongoing Russia-Ukraine war, analysts are bullish on copper, zinc, and nickel. The rising volatility and inflation could prompt investors to find refuge in gold, raising its prices. Further, Lundin Mining recently completed the acquisition of Josemaria Resources, strengthening its production capabilities. It is also working on several expansion initiatives at various mining locations. So, higher realization prices and increased production could boost its financials in the coming quarters.

Further, the company is trading at an attractive NTM price-to-earnings multiple of 7.4. So, given its attractive valuation and healthy growth prospects, I am bullish on Lundin Mining.

Nutrien

Nutrien ([TSX:NTR](#))([NYSE:NTR](#)), one of the largest producers of potash, nitrogen, and phosphate products, is my final pick. Amid the disruption of potash and nitrogen supply from Eastern Europe and export restrictions in China, fertilizer prices have increased. Rising prices could benefit Nutrien. The company is ramping up its production capabilities amid the rising geopolitical tensions. The company's management expects to increase its production by 18 million tonnes by 2025, representing a rise of 40% from its 2020 levels.

Further, the company is also expanding its Brownfield projects, which could add 500,000 tonnes of production capacity for nitrogen products. It is also working on developing the world's largest clean ammonia facility at Geismar, Louisiana. Along with these growth initiatives, the decline in debt levels and share repurchases could boost its financials in the coming quarters. Despite its healthy growth prospects, Nutrien is trading at over 26% lower than its 52-week high, making it an excellent buy.

CATEGORY

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1. NYSE:CNQ (Canadian Natural Resources)
2. NYSE:NTR (Nutrien)
3. TSX:CNQ (Canadian Natural Resources Limited)
4. TSX:LUN (Lundin Mining Corporation)
5. TSX:NTR (Nutrien)

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