



3 TSX Commodity Stocks to Buy in July

Description

Commodity stocks have been on an absolute tear this year. With rising prices of commodities and inflation hitting 40-year highs, commodity stocks have managed to outperform the broader markets by a considerable margin in the first six months of 2022.

Given these companies are well poised to benefit from an inflationary environment, let's take a look at three commodity stocks that are screaming buys for Canadian investors right now.

Barrick Gold

When stocks are caught in a bind, people turn to gold as a hedge. Historically, when inflation goes up, so do gold prices. And if the possibility of a recession starts to look very real, the U.S. Fed is likely to pause interest rate hikes. So, it is entirely possible that gold prices might test new highs by the end of 2023.

Barrick Gold ([TSX:ABX](#))(NYSE:GOLD) is one of the [best gold stocks](#) in the space. The company has a healthy balance sheet. It had a net cash balance of US\$743 million at the end of Q1. It realized \$1,876 per ounce of gold compared to \$1,777 in Q1 of 2021 and \$1,793 in Q4 of 2021. Gold prices are currently at \$1,839 an ounce and are expected to remain high for some time.

The stock closed on June 20 at \$25.61. The average analyst price target for the stock is \$35.61, which is a potential upside of almost 40%. Add in the 2.03% forward dividend yield, and Barrick could give you a decent gain in the next 12 months.

Freehold Royalties

Freehold Royalties ([TSX:FRU](#)) has run in contrast to the broader markets in 2022 and is up 9% year to date. The company operates in the oil and gas space while owning a large portfolio of royalty funds, mainly in Canada and the U.S.

In Q1, Freehold's funds from operations more than doubled year over year to \$72 million. Its payout ratio also rose to 38% in Q1 compared to 24% in the year-ago period.

The stock offers a forward dividend yield of 7.2%, which makes it very attractive to income-seeking investors. Freehold has increased its dividend for the last six consecutive quarters and has now maintained a monthly dividend of \$0.08.

Shares of Freehold Royalties are currently trading at \$13.3 and the average analyst target price for the stock is \$20.32, which is potential upside of over 53%. After accounting for its tasty dividend yield, total returns might be closer to 60% in the next year.

Nutrien

Nutrien ([TSX:NTR](#))([NYSE:NTR](#)) is the world's largest producer of potash and the third-largest producer of nitrogen fertilizer in the world.

The Russia-Ukraine conflict is working in the company's favour, as fertilizer prices have kept surging higher. Nutrien recently announced that it will increase its annual potash manufacturing capacity to 18 million tonnes by 2025 due to uncertain supplies from Eastern Europe.

Nutrien shares are currently trading at \$112, while Bay Street has a 12-month average price target of \$159.5 for the stock, indicating an upside potential of over 40%. The company is also a regular dividend payer and has a forward yield of 2.27%. Nutrien seems an enticing buy in a market that is extremely volatile.

CATEGORY

1. Investing
2. Metals and Mining Stocks

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2. NYSE:NTR (Nutrien)
3. TSX:ABX (Barrick Mining)
4. TSX:FRU (Freehold Royalties Ltd.)
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Date

2025/08/25

Date Created

2022/06/21

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