



2 Safety Nets to Buy as Recession Shockwaves Intensify

Description

Market analysts predict that shockwaves to commodity flows will intensify in the back half of 2022. Almost everyone from governments and businesses to consumers are under pressure to cope with soaring prices. The **TSX** hasn't closed above 20,000 in 10 consecutive days, although the index managed to gain 0.70% last week.

Thus far, two commodity stocks display tremendous [resiliency](#), as a recession knocks on the door. On June 24, 2022, **Verde Agritech** ([TSX:NPK](#)) and **First Quantum** ([TSX:FM](#)) advanced 6.75% and 11.50%, respectively.

First-mover advantage

Verde Agritech remains the TSX's top price performer in 2022 amid the massive headwinds. At \$7.91 per share, the trailing one-year price return is 600%, while the year-to-date gain is 183%. Had you invested \$6,000 in the stock a year ago and held it in a TFSA, your tax-free gains today would be \$36,000.

The \$410.79 million Brazil-based agricultural technology company is a producer and seller of multi-nutrient potassium fertilizer. In Q1 2022, revenue and sales volume increased 1,260% and 574% versus Q1 2021. Net profit for the quarter was \$3.03 million compared to the net loss of \$1.81 million in the same quarter last year.

Cristiano Veloso, Verde's founder, president, and CEO, said, "2022 has started in a very shaky manner for the agricultural market globally. In Brazil, which depends on imports for over 96% of its potash supplies, the concern with fertilizers has been at the forethought of most farmers."

Veloso added, "Verde's target towards the delivery of 1,000,000 tons by the end of 2022 is further boosted by these latest results." For 2023, management's sales volume target is two million tons, or 43% higher than the original guidance of 1.4 million tons.

Based on published reports, Veloso exercised his stock options and increased his ownership in the

company to 18.36%. Verde Agritech has a first-mover advantage with its Bio Revolution technology. The technology will help the company achieve its goal of becoming the global leader with a cost-efficient platform for adding microorganisms to agriculture.

Strong pricing environment

First Quantum has done well in 3.01 years, rewarding investors with a total return of 117.04% (29.35% CAGR). Because of its 11.5% advance last Friday, the year-to-date loss has been reduced to 14.5%. Market analysts' 12-month average price target is \$43.64, or a 68.6% appreciation from its current share price of \$25.88.

This \$17.9 billion company develops and produces mineral properties, primarily nickel, pyrite, zinc ores, gold, silver, and copper. The operating mines are in Australia, Finland, Mauritania, Panama, Spain, Turkey, and Zambia. Currently, First Quantum benefits from the strong commodity pricing environment.

In Q1 2022, management reported 33.3% and 55.8% increases in sales revenues and net earnings versus Q1 2021. Higher realized metal prices offset the lower copper and gold sales volumes plus inflationary cost pressures.

Its chairman and CEO Philip Pascall said, "Despite the operational and inflationary challenges presented in the first quarter, First Quantum was able to deliver another quarter of strong earnings and demonstrate continued financial improvement."

Safety nets

Many stocks, regardless of sector, face an acid test should the global gas and food crises escalate. However, Verde Agritech and First Quantum are profitable safety nets for risk-averse investors.

CATEGORY

1. Investing
2. Metals and Mining Stocks

TICKERS GLOBAL

1. TSX:FM (First Quantum Minerals Ltd.)
2. TSX:NPK (Verde AgriTech)

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