



## My Top Commodity Stock That Could Rally in H2 2022

### Description

Commodity prices have fallen back to Earth over the past several weeks, with everything from oil and gas to potash experiencing what seems to be a “blow-off top.” Undoubtedly, fast-flying commodity prices can reverse quickly, leaving chasers in a bad spot, as momentum turns sharply negative.

Understandably, it seems like a much better idea to buy commodities on strength, rather than on weakness, given cyclical booms and busts can be pretty explosive. Though the recent plunge across the broader basket of commodities may be the start of something worse, I’d argue that investors troubled by inflation should seek to hedge their RRSP or TFSA investment funds with some commodity plays on the pullback.

Indeed, commodity prices are hard to predict. Often, unforeseen exogenous events dictate the price of commodities like oil, making them very volatile and challenging to own over the long haul for investors seeking excess risk-adjusted returns. Despite the volatility that comes with commodities, there are many reasons to incorporate commodity exposure in your portfolio. And no, I’m not talking about cryptocurrencies.

### Checking out fallen commodity stocks on the dip

As far as I’m concerned, if there’s no cash flow, investors should just say “no,” given a lack of intrinsic value. Sure, you can consider crypto as a scarce commodity. At the end of the day, it’s the Greater Fool Theory (a theory that has nothing to do with The Motley Fool!) that dictates which direction a cryptocurrency goes. And right now, I don’t think anything more than the speculative appetite of investors is keeping the crypto space from crumbling further.

In this piece, we’ll look at a commodity play that I think is oversold and undervalued. Though nobody can project where commodity prices will head next over the near, medium, or even long term, I believe the following producers are incredibly well run with some of the best economics in the business. Further, their valuations, I believe, may be already priced with a further pullback in mind.

Recession fears have been quite out of hand over the past few weeks. As such, I’d not be surprised if

too much pessimism is baked into the fallen commodity producers.

Enter agricultural commodity producer **Nutrien** ([TSX:NTR](#))([NYSE:NTR](#)).

## Nutrien

Nutrien is a leading potash producer that also produces a wide range of other fertilizers like nitrogen that help farmers improve their crop yields. As agricultural commodity prices plunged, Nutrien stock quickly surrendered the gains it posted in the first quarter of the year. Shares lost around 35% of their value from peak to trough before bouncing modestly to \$100 and change per share — where shares currently sit today.

Now, off around 30% from its peak, I think Nutrien stock now offers long-term investors a terrific [entry point](#). Shares trade at 9.96 times trailing earnings, with a 2.6% dividend yield. Though fertilizer profitability may have peaked, many pundits believe Nutrien still has a lot of cash flow to rake in before the fertilizer market windfall can wear off.

RBC Capital thinks nitrogen prices could be in for a recovery in H2 2022. Such a bounce could help Nutrien find its feet again and gear up for another leg higher.

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**Date**

2025/09/08

**Date Created**

2022/07/20

**Author**

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