



## If the Commodities Rally Continues, These 2 Stocks Are Worth Buying

### Description

Commodities continue running hot, as they are in short supply across the globe. Indeed, this asset class, which has always been a hedge against market uncertainty, has proven its worth as an inflation hedge of late. However, with expectations that rate hikes could slow down, commodities are dropping right now.

Thus, the question is whether this rally can continue or not. Indeed, supply chain bottlenecks remain in place. And given what appears to be diminishing demand on the horizon (recession or not), the outlook is certainly uncertain for this sector.

However, for those who believe commodities can continue to remain high, if not rally, there are some great options to consider. Two of my top picks in this space right now are **Parex Resources** ([TSX:PXT](#)) and **Nutrien** ([TSX:NTR](#))([NYSE:NTR](#)). Here's why.

### Top commodities stocks: Parex Resources

Parex Resources develops, explores and produces crude oil. This company utilizes a tech-first strategy to extract oil from South American basins (with massive oil-in-place potential) and the Western Canadian Sedimentary Basin. Most of the properties Parex operates are located in Colombia, and the company boasts over 2.3 million gross acres of reserves for oil exploration.

This is an important note, because Colombian production means Parex is able to garner mostly Brent Crude prices for its oil. Unlike most Canadian producers, that are forced to sell at a discount to global benchmarks, Parex is able to eke out that additional profit that has provided meaningful returns for investors.

Indeed, during the company's Q1 report, investors saw just how lucrative this strategy has been. The company's net income of more than \$205 million represented growth of approximately 25% year over year. Yes, most of this was due to higher oil prices over this period. However, the company is investing in boosting production — something that could provide continued higher profits, even at lower oil prices moving forward.

## Nutrien

Nutrien is the largest provider of crop services and inputs in the world. This company plays a vital role in helping farmers increase food production sustainably. The company distributes and produces around 27 million tons of nitrogen, phosphate, and potash products globally.

Nutrien has benefited from relatively high fertilizer prices and strong demand, backed by strength in agriculture markets across the globe. This demand remains robust and is one of the corners of the commodities market that's more defensive than others. We can slow down our energy usage, but we have to eat.

Indeed, as a global player in this space with true pricing power, Nutrien isn't the average commodities stock most think of. This is a relatively consolidated market and may continue to become more consolidated over time. I think Nutrien could pursue strategies that would beef this company up more.

In the absence of any announcements, I still think Nutrien looks attractive here. This stock pays an attractive [dividend](#) yield of 2.5% and trades at a reasonable valuation multiple around [10 times earnings](#). For those seeking value and defensiveness, this is one great way to go right now.

### CATEGORY

1. Dividend Stocks
2. Investing

### TICKERS GLOBAL

1. NYSE:NTR (Nutrien)
2. TSX:NTR (Nutrien)
3. TSX:PXT (PAREX RESOURCES INC)

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