



## 2 Top TSX Commodities Stocks to Buy in August

### Description

Inflation is showing no signs of slowing down. Commodity prices have already surged this year, and commodity stocks have greatly benefitted from an inflationary environment. In fact, commodity stocks have easily outperformed the TSX this year.

If inflation doesn't slow down in August, these two commodity stocks would make for great buys. Both stocks discussed here have delivered market-thumping returns to investors in the last 12 months and also provide a tasty [dividend yield](#).

### Nutrien

**Nutrien** ([TSX:NTR](#))([NYSE:NTR](#)) shares have fallen over 24% since April this year, so why does it find a spot on this list? There are two major factors. The first one is that despite the fall in the last four months, the stock is still up over 20% in 2022. Comparatively, the TSX has dropped almost 7.3% year-to-date.

The second reason is that Nutrien is one of the largest players in the global crop nutrient sector. With rising geo-political tensions owing to the Russia-Ukraine conflict, Nutrien's importance on the world stage is set to soar.

Nutrien has certain advantages. While Russia and Ukraine have agreed to export foodgrains and other crops globally, several countries may look for long-term solutions. This trend should benefit Nutrien allowing the company to thrive across business cycles.

When Nutrien reports its Q2 2022 earnings on August 3, analysts expect the company to report adjusted earnings of \$7.39 per share, an increase of 183.7% year-over-year. Meanwhile, revenue for the quarter is forecast to grow almost 57% to \$19.1 billion, following a 32.5% jump in revenue in 2021.

Nutrien shares are priced at \$109.62, and Bay Street expects the stock to touch \$155 in the next 12 months, indicating an upside potential of 41%. The stock also pays a forward dividend yield of 2.3%, providing you with a stable stream of dividend income.

## Freehold Royalties

**Freehold Royalties** ([TSX:FRU](#)), an oil and gas player, is one of the finest dividend payers on the TSX. It earns royalties from companies that produce energy on the land owned by Freehold Royalties.

FRU stock offers a forward dividend yield of 6.61%, and has a payout ratio of just 52%, indicating it can raise dividend payouts in the future. The company has increased dividends for six consecutive quarters, and the payouts have risen by 9.9% annually in the last five years.

Freehold has used the recent surge in energy prices to its advantage by reducing its long-term debt by around \$41 million. In Q1 2022, the company reported record cashflow from operations, up 122% to \$71.9 million from the year-ago period. Alongside the debt reduction, Freehold is easily on track to maintain its target of net debt levels below 1x trailing funds from operations.

Freehold is a great stock to buy for investors looking at regular passive income. With a recession looming in the near future and inflation remaining high, receiving regular cash payments in your account is always a good idea, and Freehold is a good bet with its strong and growing operating cash flows. Royalty acquisitions including 2021 investments in US royalty assets in the productive Eagle Ford, Permian and Haynesville shale plays are expected to continue to drive drilling and production activity.

Freehold stock closed trading at \$14.52, and the average target price for the stock is \$20.63, which is a potential upside of over 42%. When you add in the dividend payout, you are looking at a potential gain of almost 50%. Freehold Royalties remains one of the most attractive plays in the commodities sector, despite rising 66% in the last year.

### CATEGORY

1. Dividend Stocks
2. Investing

### TICKERS GLOBAL

1. NYSE:NTR (Nutrien)
2. TSX:FRU (Freehold Royalties Ltd.)
3. TSX:NTR (Nutrien)

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