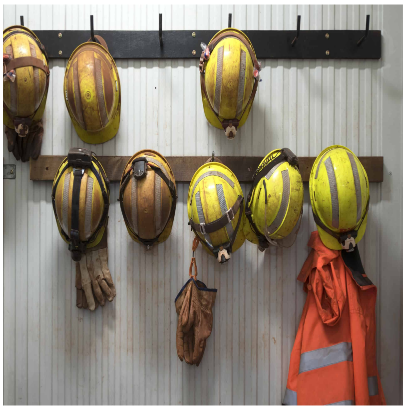

2 TSX Commodity-Linked Stocks (With Dividends) to Buy Now and Hold Forever

Description

Macroeconomic concerns and the possibility of slowing global demand have started hurting commodity prices in the last few months. Weakness in commodity prices is the key reason why most commodity-linked stocks on the **TSX** turned negative in the second quarter, despite starting the year on a solid note.

While most metal mining and energy stocks continue to go sideways in the third quarter, their long-term financial growth outlook still looks strong, with a gradual but consistent expected growth in the global demand for metals and energy products. Given that, a recent dip in commodity-linked stocks could be an opportunity for long-term investors to buy some fundamentally strong stocks at a bargain — especially the ones with stable dividends.

Let me quickly highlight two of the best commodity-linked TSX stocks I find worth buying right now to hold for the long term.

Stelco stock

Stelco Holdings (TSX:STLC) is a Hamilton-based steel products company with a market cap of $2.6 billion. Its stock currently trades at $38.18 per share with a 7.4% year-to-date loss, despite its strong financial growth trends. Interestingly, Stelco has been beating analysts' earnings estimates for the last seven quarters in a row. At the current market price, STLC stock offers an attractive dividend yield of around 3.1%.

In the second quarter, Stelco's total revenue rose by 13% YoY (year over year) to $1.03 billion, mainly with the help of a higher average selling price for its steel products. Stronger revenues helped the Canadian steel company post a 15.2% YoY increase in its adjusted earnings to $4.93 per share, exceeding analysts' consensus estimate of $4.36 per share.

Overall, Stelco's strategic investments and ongoing cost-cutting efforts are likely to help it operate profitably, even in difficult market conditions. These factors make it one of the safest commodity-linked stocks in Canada to own forever.

Labrador Iron Ore Royalty stock

Labrador Iron Ore Royalty (TSX:LIF) is a Toronto-based investment firm with a market cap of nearly $2 billion. Through its wholly owned subsidiary Hollinger-Hanna Ltd, the company holds slightly more than 15% interest in the iron ore producer Iron Ore Company of Canada (IOC).

As a result of the recent dip in iron ore prices, Labrador Iron Ore registered a 16.2% YoY drop in its revenue for the second quarter to $66.4 million. Similarly, the company's adjusted earnings for the quarter fell by 28.5% from a year ago to $1.23 per share. This is one of the main reasons why its stock has seen a 17% value erosion in 2022 so far after consistently rising in the previous three years.

The ongoing weakness in iron ore prices is primarily driven by investors' fears about slowing global economic growth. Iron ore is primarily used to make steel, and its long-term demand outlook remains strong, which should help its prices recover in the coming years and drive LIF stock higher.

One of the top factors that make Labrador stock my favourite Canadian stock for the long term is its outstanding dividend yield of around 11.6%, which can help investors earn healthy passive income, irrespective of economic cycles.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:LIF (Labrador Iron Ore Royalty Corporation)
2. TSX:STLC (Stelco Holdings Inc.)

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