2 Top Commodity-Linked Stocks to Buy This September

Description

Commodities, like rare metals and energy products, are in high demand, and available supplies cannot keep pace. Several reasons are contributing to the disparity between demand and supply, from geopolitical tensions to supply chain issues. Such instances result in commodity-linked businesses improving their financial performances due to higher profit margins.

The looming threat of a recession and reduction in inflation rates has driven the broader stock markets lower. It could be an excellent opportunity for investors interested in mining stocks and energy stocks to find good deals on the **TSX** right now.

Today, I will discuss two commodity stocks you can consider adding to your portfolio for this purpose.

Agnico-Eagle Mines

Agnico-Eagle Mines (TSX:AEM)(NYSE:AEM) is a $25.13 billion market capitalization Canada-based gold mining company. It boasts operations in Canada, Finland, and Mexico, alongside development and exploration activities that extend to the United States. While it might not be the largest gold-producing company, it is well positioned to provide investors with significant returns.

The company has a policy of no-forward gold sales, giving it complete exposure to higher gold prices. As of this writing, Agnico-Eagle Mines stock trades for $54.32 per share and boasts a juicy 3.77% dividend yield — a rarity among gold-mining stocks.

It is down by 35.83% from its 52-week high at current levels. However, the company's second-quarter performance for fiscal 2022 saw it beat analyst earnings estimates by $0.16 per share by reducing its production costs. It can be a good investment at current levels.

Enbridge

Enbridge (TSX:ENB)(NYSE:ENB) is a $113.67 billion market capitalization multinational pipeline company headquartered in Calgary. Enbridge owns and operates an extensive pipeline network responsible for transporting energy products throughout North America.

It is a strong business with resilient cash flows, and it is a Canadian Dividend Aristocrat with a lengthy streak of increasing shareholder dividends.

As of this writing, Enbridge stock trades for $55.39 per share and boasts a juicy 6.21% dividend yield. It is down by 7.20% from its 52-week high at current levels, but it could be an excellent bet for commodity exposure. It is a low-risk business because almost its entire pipeline revenue comes through long-term contracts.

The company generated almost 60% of its EBITDA (earnings before interest, taxes, depreciation, and amortization) from its oil pipeline operations, 26% from its natural gas pipelines, 12% from its natural gas utility business, and 4% from its renewable energy assets.

Enbridge also has several secured capital projects in its pipeline that can grow its cash flows by at least 5% by 2024. It can be an excellent investment at current levels.

Foolish takeaway

Canada’s inflation rates were as high as 7.6% in July 2022, and August’s figures are estimated to show further deceleration to 7.5%. It remains to be seen whether we will see a significant cooldown in inflation rates.

Despite the deceleration in recent months, Canada’s inflation rates are substantially higher than the target range of 2%. Investors might have ample time to take advantage of the inflationary environment by investing in companies profiting from it.

Agnico-Eagle Mines stock and Enbridge stock can be excellent investments to gain exposure to the mining industry and energy industry, respectively.

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Author
adamothman