



## 2 Top Commodity Kingpins to Hedge Your TFSA Portfolio

### Description

Commodity stocks are great additions to any TFSA (Tax-Free Savings Account) to help lower one's correlation to the broader markets. Indeed, it may seem a tad late to chase some of the resilient commodity stocks that have dodged and weaved past most of the pressure applied to the broader markets over the past year. In any case, the commodity trade has begun to fade, opening up a potential entry point for those who missed the first leg higher.

While the recent correction in the broader basket of commodity producers may yet to be over, as the potential recession nears, I think [investors](#) lacking such exposure should give Canada's top commodity kingpins a second look on the dip.

## TFSA investors: The case for commodity stocks to hedge your holdings

Not only can commodities help investors achieve a positive return in a market pulled down by the forces of higher interest rates, but they may be key to helping your TFSA portfolio better navigate the rough waters. At the end of the day, top commodity producers are capable of zigging while markets zag. Though everything could be dragged down if markets slide violently, I think every TFSA portfolio should at least have some commodities exposure.

In this piece, we'll check out two commodity stocks that I view as great hedges for any long-term-focused TFSA retirement fund. Without further ado, consider shares of silver miner **First Majestic Silver** ([TSX:FR](#)) and agricultural commodity producer **Nutrien** ([TSX:NTR](#))([NYSE:NTR](#)). These two commodity plays can help beef up your TFSA's diversification going into a year sure to see rough waters.

### First Majestic Silver

First Majestic is an intriguing precious metals miner that has solid operations in Mexico and the United

States. Of late, silver (and gold) prices have fallen into a gutter. Indeed, demand for such precious metals has sunk, even amid rising macro uncertainties and hot inflation. It seems as though the precious metals trade is broken. As demand for such assets remains modest, I'd be willing to go against the grain with a contrarian position in a name like First Majestic.

Though silver prices could continue to drag, I view the firm as one of the cheapest options in the precious metal space today. Shares trade at just 1.5 times price to book (P/B), which is well below the industry average P/B of around 4.2.

Down around 55% from its all-time high of around \$23 per share, I view First Majestic as one of the cheapest ways to hedge your bets and further diversify your TFSA. Sure, silver could sag for longer, but as it nears cyclical lows, betting on a top-tier miner like First Majestic seems like a smart contrarian bet that could pay off in the long term.

## Nutrien

Nutrien is a premier producer of potash and other agro commodities. With a robust retail business and strong secular tailwinds at its back (a growing population calls for greater crop yields), Nutrien stock seems unstoppable. Indeed, the Ukraine-Russia crisis helped pole-vault Nutrien stock to new heights. However, I think shares remain [cheap](#), even after supply-side disruptions are dealt with.

At the end of the day, Nutrien is a producer of a vital commodity, with impressive economics of production. With a 2.1% dividend yield and a mild 7.3 times trailing price-to-earnings multiple, NTR stock seems like a great buy. Shares are off 16% from their highs and seem ready to make new highs as a part of its latest rally.

### CATEGORY

1. Investing
2. Metals and Mining Stocks

### TICKERS GLOBAL

1. NYSE:AG (First Majestic Silver)
2. NYSE:NTR (Nutrien)
3. TSX:FR (First Majestic Silver)
4. TSX:NTR (Nutrien)

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