



## 2 Top Commodity Stocks to Hedge Your Portfolio Against Inflation

### Description

The figures for Canada's inflation rate in August came through recently, showing that it stands at 7.01%. The measures taken by the U.S. Federal Reserve and the Bank of Canada (BoC) to cool inflation down are paying off slowly. Despite the slight cool down, we are still far from seeing inflation cool down to the target of 2%.

Inflationary environments mean higher living costs due to virtually everything becoming more expensive. However, there is a way to capitalize on such market environments by [investing](#) in assets that benefit from such environments.

Investing in companies with substantive business operations linked to commodities can provide superior returns during inflationary environments because of potentially greater profit margins.

Today, I will discuss two commodity-backed stocks you can consider adding to your portfolio.

### Nutrien

**Nutrien** ([TSX:NTR](#))([NYSE:NTR](#)) is a \$64.09 billion market capitalization Canadian fertilizer company headquartered in Saskatoon, Saskatchewan. Nutrien is the world's largest potash-producing company and the third-largest nitrogen fertilizer producer.

With over 2,000 retail locations across North America, South America, and Australia, it plays a pivotal role in supplying essential materials to the global fertilizer industry.

A growing population demands greater crop yields, making fertilizer companies like Nutrien increasingly important. It produces a vital commodity that will only grow in importance in the coming years. Nutrien stock trades for \$118.92 per share and boasts a 2.08% dividend yield as of this writing.

With a 7.34 times trailing price-to-earnings multiple and down by 19.61% from its 52-week high, Nutrien stock appears attractively priced right now.

## First Majestic Silver

[Metals and mining stocks](#) are also excellent bets to diversify into commodities in your self-directed portfolio. **First Majestic Silver** ([TSX:FR](#))([NYSE:AG](#)) is a \$2.60 billion market capitalization silver-mining company headquartered in Vancouver.

The company has four mining operations in Mexico and the U.S., generating substantial quantities of silver each year. The demand for rare metals like gold and silver has remained modest during the bear market, but there is a chance that prices will soar if the market uncertainty persists.

As of this writing, First Majestic Silver stock trades for \$9.88 per share. It is down by 46.33% from its 52-week high, trading at a 1.47 price-to-book multiple, indicating that it is cheaper than its intrinsic value considering the industry average of 4.2.

Silver prices have been depressed for a long time. Still, it might be an excellent time to hedge your bets on the commodity before its prices soar and deliver superior returns to First Majestic Silver stock.

## Foolish takeaway

Commodities can do more than help you achieve positive returns in a market pulled down by inflation and rising interest rates. Making the right investments to gain exposure to commodities can help you navigate the harsh economic environment to come out a wealthier investor on the other side.

While I would not call commodity stocks entirely safe bets during market downturns, it can benefit you to have at least some exposure to commodities in your portfolio. Nutrien stock and First Majestic Silver stock can be great investments for this purpose.

### CATEGORY

1. Dividend Stocks
2. Investing

### TICKERS GLOBAL

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3. TSX:FR (First Majestic Silver)
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