



3 Top Commodity Stocks TFSA Investors Can Buy Right Now

Description

Global trade is strained by supply chain disruptions and geopolitical tensions. Amid the supply shortages, prices of several commodities, including oil, natural gas, and basic metals are rising in 2022. Several commodity stocks, especially in the [energy sector](#), are climbing at a rapid pace in 2022, driving share prices higher.

So where should you invest when facing a high pricing environment and macroeconomic headwinds? I have identified three commodity stocks investors can buy right now.

Albemarle Corp.

A few companies are becoming vital cogs in the supply chain for electric vehicles (EVs). However, most of them are unprofitable, making them high-risk bets in an uncertain environment.

But **Albemarle** ([NYSE:ALB](#)), a U.S.-based company, is profitable and even pays investors a dividend, making it a top EV stock to own right now. It is among the world's largest producers of lithium, which is a key component required to manufacture EV batteries.

Lithium accounts for 60% of total sales for Albemarle, and a significant portion of the commodity it produces is used to manufacture EVs.

In Q2 2022, Albemarle almost doubled its sales while adjusted earnings surged 288% year over year. Due to its stellar performance, the stock has surged 22% in the last year and is up close to 500% since September 2012. Albemarle also pays investors a dividend of US\$1.58 per share, indicating a dividend yield of 0.6%.

Despite its outsized gains, the stock is trading at a discount of more than 10% compared to consensus price target estimates.

Freehold Royalties

One of the leading royalty oil and gas companies in Canada, **Freehold Royalties** ([TSX:FRU](#)) holds over six million gross acres of land. It drives oil and gas development on its land via lease-out programs. Freehold acquires quality assets that have a long economic life and acceptable risk profiles, allowing it to generate gross overriding royalties for top-line growth.

Driven by its asset-light model and rising oil prices, Freehold Royalties is forecast to increase its adjusted earnings to \$1.38 per share in 2022, up from \$0.53 per share in 2021.

The company also pays investors a tasty forward yield of 8%, given annual dividends of \$1.08 per share. Freehold manages its debt prudently and aims to keep its net debt to funds from operations ratio below 1.5. The energy royalty is targeting a dividend payout ratio of between 60% and 80%.

Barrick Gold

The final commodity stock on my list is one of the largest [gold miners](#) in the world, **Barrick Gold** ([TSX:ABX](#))(NYSE:GOLD). With the largest portfolio of tier-one assets, Barrick Gold offers investors an opportunity to diversify their holdings.

In Q2 2022, Barrick Gold produced 1 million ounces of the yellow metal while copper production stood at 120 million pounds. On strong production results, the company reported an increase in operating cash flow of 45% to US\$924 million and free cash flow of xx% to US\$169 million.

Net earnings stood at US\$0.27 per share while it paid investors a quarterly dividend of US\$0.20 per share. Given annual dividends of US\$0.80 per share, Barrick Gold's dividend yield stands at 5.5%.

Analysts tracking the stock expect shares to more than double in the next year, making Barrick Gold a top bet right now.

CATEGORY

1. Energy Stocks
2. Investing
3. Metals and Mining Stocks

TICKERS GLOBAL

1. NYSE:ALB (Albemarle Corporation)
2. NYSE:B (Barrick Mining)
3. TSX:ABX (Barrick Mining)
4. TSX:FRU (Freehold Royalties Ltd.)

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