



## 2 Commodity Stocks to Ride Out a Storm

### Description

Commodity stocks have been holding their own (at least for the most part) amid the great bear market of 2022. It's been a terrible year for many of us. The good news is that we're just under two months away from turning the page. Though volatility and the bear market could continue well into the new year, it's worth noting that some of the market's best returns come shortly after bear market spills.

Everybody wants to get in at the [bottom](#). Still, nobody knows when the bear market will conclude. Technical bounces are sure to fool (that's a lower-case f) even the brightest of traders on Wall and Bay Street. And though chasing or buying dips will be met with quick penalties (big losses coming at you fast), I think it's important to take a step back and consider the three-year picture, rather than the coming weeks.

Markets will bounce around in both directions. Over a long-term horizon, stocks tend to go up. These days, many [beginner investors](#) may think that stocks only go down. It's contrary to the "stocks-only-go-up" viewpoint some meme stock traders had in the back half of 2021. In any case, stocks tend to overshoot to the upside, leading to plunges, and the downside, leading to melt-ups. This much we know. The magnitude and timing of such "corrections" are a question mark.

Fortunately, you don't need to know to continue moving forward in markets. Commodity stocks are great firms that can help you reduce your correlation to market-wide volatility. They're a great source of lower-beta gains and can help you cope with hostile markets.

Indeed, commodities are great diversifiers. However, they can fold when the rest of the market moves on. With that, it's important to view commodities as playing a role in a diversified portfolio, rather than a "hiding place" for a big chunk of your wealth in times like these.

Agricultural commodities and gold are two intriguing places to be right now. Consider playing each commodity with **Nutrien** ([TSX:NTR](#)) and **Barrick Gold** ([TSX:ABX](#)).

### Nutrien

Nutrien is an agricultural commodity kingpin formed from the merger of Potash Corp of Saskatchewan

and Agrium just a few years ago. The company has been a sluggish ride for those who got in when Nutrien went live on the exchanges. As is the case with most commodity firms, they can go to sleep for a long period of time. But once they awaken, huge gains are to be had. The stock more than tripled from its 2020 low to its 2022 peak. The Ukraine-Russia crisis sent agricultural commodities surging.

Though agro commodities have cooled off, with NTR stock's nearly 30% drop reflecting such, I still view NTR stock as a marvelous bargain at just 5.35 times trailing price to earnings (P/E).

Indeed, Nutrien's best days may be in the books. However, there's still a lot of cash flow on the horizon. Further, there's a good chance that elevated potash and nitrogen prices could keep shareholders well fed, with Nutrien's growing 2.62%-yielding dividend.

## Barrick Gold

Barrick Gold is a great gold miner if you're looking to play a bounce in the precious metal. Though Barrick is recovering from a violent 50% crash, the stock is priced as though gold has nowhere to go but down. Inflation and recession should have had more of a positive effect on gold.

The fact that it hasn't makes gold and its miners an intriguing and low-cost contrarian play for those looking for diversification and dividends. The 2.65% dividend yield is rich and ready to pick!

### CATEGORY

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2. Metals and Mining Stocks

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