



Top Canadian Aluminum Stocks of 2023

Description

Aluminum stocks are companies that mine and manufacture the silvery-white mineral known as aluminum. Given its extensive applications — most notably its use in EV battery packs — the future of the aluminum industry is looking positive.

Below we'll break down aluminum stocks and help you decide if you should invest in this versatile metal.

What are aluminum stocks?

Aluminum stocks are companies involved in mining, manufacturing, and reshaping aluminum into everyday products.

Unlike other [raw materials](#), pure aluminum doesn't occur naturally. Rather, it's an element that's found within two minerals: bauxite and cryolite. To extract it, many aluminum companies will mine and refine bauxite, then smelt it down to isolate pure aluminum. They'll then add alloys — such as [copper](#), silicon, zinc, and tin — to make aluminum stronger.

It takes immense amounts of labor — and electricity — to manufacture aluminum. But it's well worth the effort. Aluminum is not only durable but lightweight. This makes it useful for the aerospace and [airline industries](#), which require strong metals that are featherlight to improve lift and decrease drag. It's also ideal for automakers, especially electric vehicle companies, as lighter cars mean greater fuel economy.

But aluminum isn't limited to vehicles and airlines. As the second most malleable metal in the world, it's a basic ingredient in many everyday products, including:

- Kitchen utensils and foils
- Food packaging and cans
- Power lines
- Consumer electronics, such as laptops, phones, and tablets

- Window frames and doors
- Household and industrial appliances
- Construction materials, such as pipes, bars, wires, pins, railings, shutters, tubing, sheets, and casts.

These various uses of aluminum have given aluminum companies a strong foundation on which to operate. Plus, demand for aluminum in both Canada and the U.S. continues to trend upwards.⁽¹⁾ This is spurred by both consumer demand for products that are recyclable, and battery-powered vehicles and other energy industry uses.

Top aluminum stocks

Many of the top aluminum stocks are headquartered in the U.S. and elsewhere in the world. Below we'll discuss some of the best aluminum stocks on the world market.

Aluminum Stocks	Description
Rio Tinto (NYSE:RIO)	Diversified mining company with five bauxite mines, four alumina refineries, and 14 smelters
Alcoa (NYSE:AA)	Major aluminum producer in North America and one of the world's largest miners of bauxite
Arconic (NYSE:ARNC)	Major manufacturer of aluminum sheets, plates, and extrusions

Rio Tinto

Headquartered in both London and Melbourne, Rio Tinto is the world's second largest metal and mining company. With operations in 35 countries, they mine for numerous raw materials, including copper, iron ore, uranium, diamonds, and bauxite.

As an integrated aluminum producer, Rio Tinto operates 5 bauxite mines, 4 alumina refineries, and 14 smelters. The company recently received positive headlines in Canada for decarbonizing smelters and vowing to reduce greenhouse gases by 50% before 2030.

While the company plays a vital role in the aluminum industry, aluminum *isn't* Rio Tinto's biggest venture. In fact, aluminum makes up a small part of its revenue: roughly 9%.

That's not a bad thing, however. In fact, in the cyclical mining industry, mining companies that diversify their operations are better protected when demand for one mineral falls. But for investors looking for a pure aluminum company, you might want to consider the other stocks below.

Alcoa

Headquartered in Pittsburgh, Pennsylvania, Alcoa is one of the largest integrated aluminum producers in the world. They operate in 10 countries and have facilities in Brazil, Spain, Australia, the United States, Guinea, and Suriname.

Alcoa oversees the entire aluminum production process. The bauxite miner has the largest bauxite mining system in the world, mining around 40.9 million tonnes of it in 2021. Its leading alumina refining systems refine bauxite ore into aluminum oxide. Alcoa's vast network of aluminum smelters then extracts the pure aluminum.

Much of Alcoa's smelters run on [renewable energy](#)—around 75%. This is impressive, as smelters require immense amounts of electricity. The company has also partnered with Rio Tinto to develop technology that will reduce its greenhouse gases, which they plan to commercialize by 2024.

Arconic

Arconic is an American aluminum company that specializes in aluminum sheets, plates, and extrusions. Many of their lightweight products are used in aerospace engineering, car manufacturing, buildings, construction projects, transportation, and consumer electronics.

Arconic and Alcoa used to be one company. But in 2016, Arconic broke away in order to focus on engineering aluminum products. Since then, another company has spun-off from Arconic, Howmet Aerospace, which designs aluminum products for the defense and transportation sector.

Are aluminum stocks right for you?

Aluminum is a key ingredient in many products we've come to depend on. Additionally, there are numerous emerging markets — such as [electric vehicles](#) and renewable energy — that require aluminum. All in all, the high demand for aluminum makes a compelling case to have some exposure to the companies that manufacture it.

Before you invest in aluminum, however, you should know that aluminum stocks are considered [cyclical](#). In other words, these companies will generate more revenue and enjoy higher valuations in strong economies versus weak ones. If the overall economy slows down, consumers will generally have less income to spend. That could reduce demand for many of the products that use aluminum. This reduction in demand trickles down to the aluminum companies themselves, which may lay off workers or close mines to reduce operational costs.

That shouldn't stop you from investing in aluminum companies. But it might make you more cautious about how much exposure you have to cyclical stocks (like airlines, retail stores, industrials, and other raw materials). If you already have a large holding in cyclical stocks, you might want to invest in income or [safe stocks](#) to balance yourself out.

For broad exposure to the aluminum market, you might want to invest in an aluminum-focused ETF. An [exchange-traded fund \(ETF\)](#) will spread your investment money among numerous companies, helping you diversify.

Some aluminum ETFs include:

- iShares U.S. Basic Materials ETF (IYM)
- iPath Series B Bloomberg Aluminum Subindex Total Return ETN (JJU)

TICKERS GLOBAL

1. NYSE:AA (Alcoa Corporation)
2. NYSE:ARNC (Arconic)
3. NYSE:RIO (Rio Tinto plc)

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