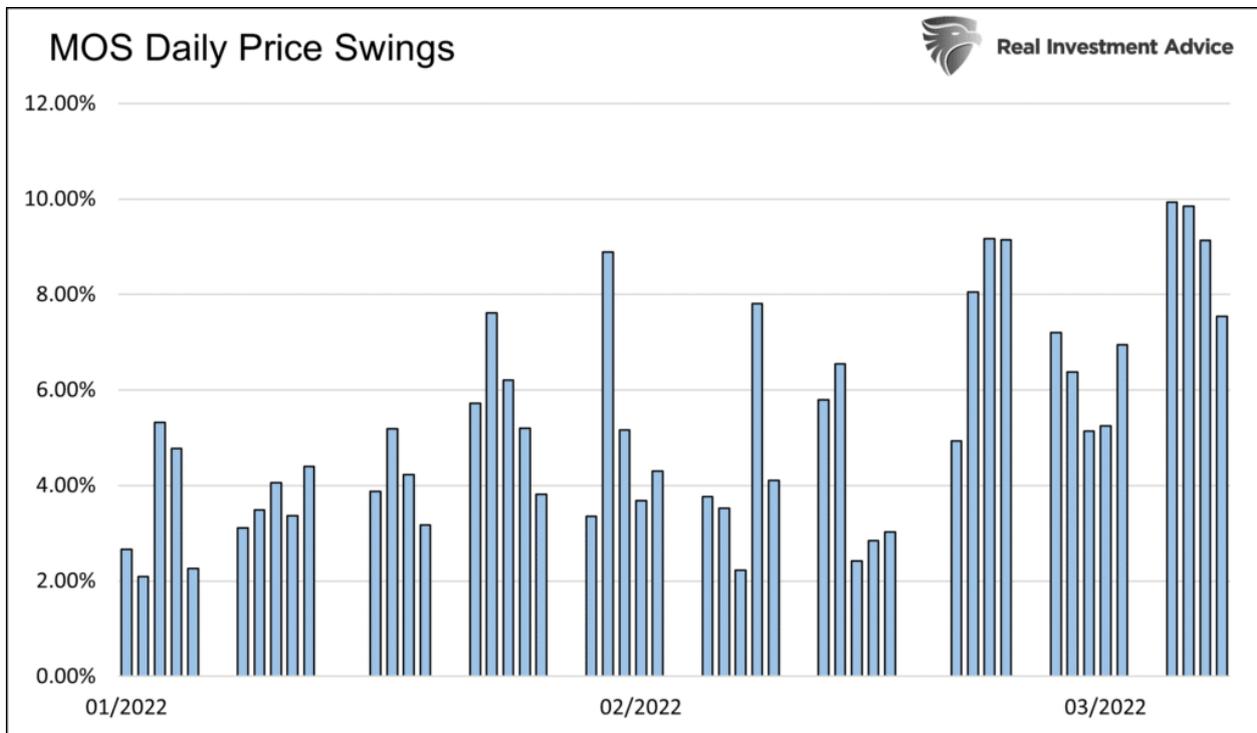


# Five Commodity Stocks as An Inflation Hedge

This screen is unique as we used five different screens and did so manually. Instead of solely screening and ranking stocks on valuations, performance, or other factors, we looked at every stock within a commodity grouping and manually chose the one that best epitomized what we were looking for. The five screens were based on five different commodities (Aluminum, Copper, Steel, Agricultural Inputs, and Lumber).

We want companies with prior sales growth, low valuations, and manageable debt levels. These companies should trade well if inflation continues to steam ahead in their respective commodities. Further, if interest rates rise due to inflation and interest rates follow higher, these companies should weather the storm better than some of their competitors.

The stocks on this list are volatile and not for the faint of heart. Many have surged higher this year, but sport double-digit declines within the trend higher. For instance, the graph below shows the percentage difference between the daily high and low for Mosaic (MOS). Each daily difference is greater than 2%. Further, 23 of the 47 days shown in the graph have greater than 5% intraday swings. Since we first ran this screen, a few of the featured stocks have experienced pullbacks from stretched technical levels. Investors may wish to use the pullbacks as a lower entry point if they expect inflationary trends to continue.



## Screening Criteria

Sector = Basic Materials ? Aluminum, Copper, Steel, Agricultural Inputs, and Lumber

We considered the following factors when screening:

- Current and forward valuations
- Sales past five years
- Year to date performance
- Debt levels

The companies below are all trading at relatively low valuation ratios. However, keep in mind that this has been the case for a long time in many commodity companies.

Ticker	Commodity	Forward			Sales Past	YTD
		P/E	P/S	Debt/Equity	5 yrs.	Return
CENX	Aluminum	7.26	0.92	1.07	10.9%	35.3%
FCX	Copper	14.73	2.96	0.68	9.0%	11.4%
X	Steel	9.88	0.42	0.43	14.6%	37.4%
MOS	Agric. Inputs	9.39	1.72	0.40	11.5%	46.5%
BCC	Lumber	5.47	0.39	0.35	15.2%	10.7%


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## Company Summaries (all descriptions courtesy Zacks)

### Century Aluminum Company (CENX)

Chicago-based Century Aluminum Company is engaged in the production of primary aluminum in the United States and Iceland. The company produces standard grade and value-added primary aluminum products as well as carbon products such as anodes and cathodes.

CENX carries the highest Debt/Equity ratio on the list (1.07), making it the most levered to the price of the commodities it produces. This helps put into perspective the stock's wild price swings this year. CENX climbed ~78% from January through early March but has relinquished some of those gains. At the time of writing, CENX is up 35.5% YTD.



### Freeport-McMoran (FCX)

Freeport-McMoRan Inc. is a leading international mining company with headquarters in Phoenix, Arizona. FCX operates large, long-lived, geographically diverse assets with significant proven and probable reserves of copper, gold and molybdenum. FCX is the world's largest publicly traded copper producer.

FCX trades at both the highest forward P/E (14.73) and P/S (2.96) of the bunch, indicating that investors revere it as having the best growth prospects. The price of copper surged following Russia's invasion of Ukraine but has since given up most of its gains. However, FCX is still holding on to its price gains. The stock is up 11.4% YTD compared to a 1.9% increase in the price of copper.



### United States Steel (X)

United States Steel Corporation is an integrated steel producer with major production operations in the United States and Central Europe. United States Steel manufactures a wide range of value-added steel sheet and tubular products for the automotive, appliance, container, industrial machinery, construction, and oil and gas industries.

US Steel trades at the second-lowest P/S ratio on the list (0.42) despite experiencing the highest sales growth over the past five years (14.6%). While some metals have already given up Ukraine-related price gains, US steel prices are holding on. The United States Steel stock is up 37.4% YTD.



### Mosaic (MOS)

The Mosaic Company is one of the world's leading crop nutrition companies with a focus on potash and phosphate, two of three most vital nutrients. The Company mine and process phosphate and potash minerals into crop nutrients, and then ships via rail, barge and ocean-going vessel to customers in the major agricultural centers of the world.

MOS has surged along with the price of potash in recent weeks due to the conflict in Ukraine. Russia is the second-largest producer and third-largest exporter of potash globally; thus, supply concerns have propelled prices higher. The stock has risen nearly 47% this year, with most of the

gains coming after Russian forces invaded Ukraine in late February.



### Boise Cascade LLC (BCC)

Boise Cascade Company operates as a wood products manufacturer and building materials distributor. The Company manufactures engineered wood products, plywood, lumber and particleboard and distributes wood products, such as decking, EWP, lumber, panel, particleboard, and MDF products. It has operations primarily in the United States and Canada. Boise Cascade Company is headquartered in Boise, Idaho.

BCC ranks the lowest in every category on the table. Investors are pricing in much slower growth following a period of supply constraints and record demand for lumber products. Rate hikes will likely impact the demand for lumber, but the outlook may change if economic conditions force the Fed to reverse course and reinstate QE. BCC has gained 10.7% YTD.



### Five for Friday

Five for Friday uses stock screens to produce five stocks that we expect will outperform if a particular investment theme plays out in the future. Investment themes may be relevant to the current or expected market, industry and/or economic trends. Investment themes may not always represent our current forecast.

### Disclosure

This report is not a recommendation to buy or sell the named securities. We intend to elicit ideas about stocks meeting specific criteria and investment themes. Please read our [disclosures](#) carefully and do your own research before investing.