



## More Bad News for Teck Resources

### Description

The last three years have not been fun for investors of **Teck Resources** (TSX:TCK.B)(NYSE:TCK). Canada's largest base-metals miner has seen its shares fall from over \$60 down to the low \$20s over this time period, and the future does not look any brighter. Most recently, analyst David Charles at Dundee Capital Markets cut his outlook and price target for Teck, due to low metallurgical (steelmaking) coal prices.

#### Met coal: The bottom has fallen out

In 2011, Teck's metallurgical coal business was booming. China was growing as quickly as ever, and mass flooding in Australia dramatically impacted supply from rival **BHP Billiton** (NYSE:BHP). In the third quarter of that year, Teck was able to realize an average price of \$285 per tonne for its product.

Today, spot prices for met coal are in the mid-\$120s. Supply has rebounded, and growth in China has slowed. Demand for steel has suffered, and many steel mills have responded by switching to lower quality coals in an effort to save money – this is bad news for Teck, whose higher quality coal demands a premium.

#### Still betting on China

The news has not been much better for Teck's other commodities. Copper prices have also been slumping since 2011, for much the same reasons as met coal's price slump. Concerns about China, which consumes about 40% of the world's copper, again seem to be the main culprit. And like met coal, the future does not look any brighter for copper.

#### Other options for investors

Investing in Teck Resources is akin to making an all-in bet on the Chinese economy. There are plenty of ways to make a similar bet without taking on so much risk. One way is to go for a heavy equipment dealer such as **Finning** ([TSX:FTT](#)) or **Toromont** ([TSX:TIH](#)). [As pointed out earlier](#), these companies are more profitable than the miners, and will thus have an easier time surviving if commodity prices continue to suffer.

### **Foolish bottom line**

There is a common saying that one should be fearful when others are greedy and greedy when others are fearful. Using that logic, Teck Resources would be a screaming buy; no investment seems to be more feared at the moment. The stock is also trading well below its replacement value – under normal circumstances, this would indicate a great opportunity.

But these are not normal circumstances. China's future is very difficult to predict, with some calling for a very hard landing. But for anyone who wants to bet on China regaining momentum, and isn't afraid of being wrong, this stock may be the best way to do so.

### **CATEGORY**

1. Investing

### **TICKERS GLOBAL**

1. NYSE:BHP (BHP Group)
2. NYSE:TECK (Teck Resources Limited)
3. TSX:FTT (Finning International Inc.)
4. TSX:TECK.B (Teck Resources Limited)
5. TSX:TIH (Toromont Industries Ltd.)

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