# Avoid These 2 Miners as China's Economy Deteriorates

## Description

In recent years, a lot of very smart people have claimed that China is on the verge of collapse.

For example, short-seller Jim Chanos—who gained fame for betting against Enron—has said that China is following in Greece's footsteps. A similar argument was made by George Athanassakos, a professor at the Richard Ivey School of Business. And Prem Watsa of **Fairfax Financial Holdings Ltd.** has warned that China's debt has spun out of control.



And in recent months, China's economy has shown signs of cracking. Rail freight volumes were down 11.7% year over year through June. Electricity production increased just 2.8% in July. That same month, exports declined by more than 8%.

As this is happening, the Chinese government is committed to preserving the status quo. Official GDP figures still state the economy is growing at 7%. And Chinese authorities have intervened to stem stock markets from sliding. These kinds of actions will only delay the inevitable.

So, the news coming from China will likely get a lot worse. How does that affect Canadian investors? Well, we take a look at two stocks below that you should avoid.

**1. Teck**

Perhaps no Canadian stock is more of a China bet than **Teck Resources Ltd.** (TSX:TCK.B)(NYSE:TCK). The diversified miner is the world's second-largest exporter of coking coal, a product used in the steel-making process. This hasn't been good news in recent years, as China's slowing growth has seriously damaged the steel market, causing coking coal prices to collapse.

The news could easily get worse. Steel demand is very dependent on China's property market, which is on shaky ground right now. Many analysts think the country's steel demand has actually peaked. If this is true, there's more downside in store for coking coal prices.

And Teck can ill afford to have markets turn against it. The company has nearly $8 billion in net debt, well above its $5 billion market value. Teck is also spending nearly $1 billion on the Fort Hills oil sands project. So, if the Chinese economy suffers anymore, then Teck could be in real trouble.

**2. First Quantum**

**First Quantum Minerals Ltd.** (TSX:FM) is one of Canada's most admired mining companies, and for good reason. The copper producer has a fantastic track record of spending money wisely and of completing projects within budget. As a result, its shares are up an astounding 1,500% over the past 15 years.

But copper prices are suffering due to China's problems, and have reached a six-year low. This could put a serious dent in the company's ambitious growth plans. Tellingly, First Quantum shares are down more than 50% in 2015, even though the company has done nothing wrong. Further pain could be ahead if there's more bad news out of China.

So, you should steer clear of First Quantum, at least until there's more clarity on the Chinese economy. For a better alternative, be sure to check out the free report below.

**CATEGORY**

1. Investing
2. Metals and Mining Stocks



**TICKERS GLOBAL**

1. NYSE:TECK (Teck Resources Limited)
2. TSX:FM (First Quantum Minerals Ltd.)
3. TSX:TECK.B (Teck Resources Limited)

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**Date**
2025/07/05
**Date Created**
2015/08/19
**Author**
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