



## Contrarian Investors: Should You Buy Teck Resources Ltd. Right Now?

### Description

Contrarian investors are searching for beaten-up stocks that could be on the cusp of a big rebound.

Let's take a look at **Teck Resources Ltd.** (TSX:TCK.B)(NYSE:TCK) to see if Canada's largest diversified mining company deserves to be in your portfolio.

### A rally in the works

Teck has tripled off the January lows, and positive developments in the business suggest more upside could be on the way.

The company reported Q1 2016 earnings of \$18 million on the back of strong performances at all but one of its mines. The results are impressive given the depressed pricing environment for the company's core products: metallurgical coal, zinc, and copper.

The three commodities have been in a slump for the better part of the past five years, but recent price gains suggest they might have finally bottomed out.

In the Q1 report Teck said coal prices are currently trading above the Q2 contract settlement price. The shift is encouraging given the fact that coal is in its worst slump since 1950.

Zinc is also showing strong potential. Prices have risen 20% over the past six months, and some analysts believe production cuts are starting to bring the market back into balance.

Copper enjoyed a nice rally in the first quarter, but weakness in recent weeks suggests the market is still trying to find a balance. Stockpiles are building again in London, and copper currently trades below the average price Teck received during the first three months of the year.

### Oil factor

Oil has been the biggest contributor to the Teck rally.

Why?

Teck is not an oil producer, but it holds a 20% stake in the Fort Hills oil sands development, which is scheduled to begin production by the end of 2017. The project has been a big drain on Teck's resources over the past few years, and investors pretty much gave up on Teck in January when WTI oil fell below US\$30 per barrel.

Now that oil is back to US\$48, the market is feeling better about the viability of Fort Hills, and that is bringing money back into Teck's stock.

### **Should you buy?**

The balance sheet is still overloaded with debt, so I wouldn't back up the truck, but contrarian investors who believe the commodity rout is over might want to use the recent pullback to add a bit of Teck to their portfolios.

The last time Teck rallied off a major crash, the stock went from \$4 to \$60 in less than two years.

### **CATEGORY**

1. Investing
2. Metals and Mining Stocks

### **TICKERS GLOBAL**

1. NYSE:TECK (Teck Resources Limited)
2. TSX:TECK.B (Teck Resources Limited)

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