



## Teck Resources Ltd.: Time to Buy?

### Description

**Teck Resources Ltd.** (TSX:TCK.B)(NYSE:TCK) is breaking out again, and investors who missed the staggering rally in the first half of the year are wondering if the trend will continue.

Let's take a look at the current situation to see if this is a safe time to step in to Canada's largest diversified mining company.

### Coal, copper, and zinc

Teck produces metallurgical coal, copper, and zinc. These three commodities have been in a downward spiral for the better part of five years, although recent strength suggests a bottom might have been reached.

Teck says it is finally seeing a turnaround in the coal market as Asian demand is beginning to improve just as widespread mine closures have taken supply off the market. Spot prices have actually drifted higher than the Q2 contract settlement agreements, and Teck expects the back half of the year to continue in a positive direction.

Copper is also showing signs of a turnaround. Prices have bounced around in a tight range for most of 2016, and the current price of US\$2.16 per pound is above Teck's average realized sale price for the first quarter. Pundits have mixed views on the next move for copper, but the downward trend appears to be broken.

Zinc is having a fantastic 2016. The metal has surged 30% in the past six months, and most analysts see continued strength as reduced output bumps into rising demand.

### The role of oil

Teck doesn't produce oil, but the company has a 20% stake in the Fort Hills oil sands project, which is scheduled to begin production in late 2017.

Fort Hills has been a huge drain on Teck's resources since 2013 and a large part of the stock's nasty

sell-off can be attributed to the plunge in oil prices. In fact, investors pretty much threw in the towel earlier this year when WTI oil dropped below US\$30 per barrel.

Now that WTI oil is back up to US\$50 per barrel, more investors are feeling better about the project's long-term viability. Whether or not oil will reach a breakeven price by the time Fort Hills starts production is anyone's guess, but the facility has a 50-year lifespan and the partner companies are all betting their investment will deliver strong returns over time.

### **Should you buy?**

Teck remains a risky bet and new buyers have to believe the commodity recovery will continue. If you are in this camp and have a contrarian investing style, Teck still looks attractive.

Remember, the last time Teck rallied off the \$4 mark it hit \$60 in less than two years.

### **CATEGORY**

1. Investing
2. Metals and Mining Stocks

### **POST TAG**

1. Editor's Choice

### **TICKERS GLOBAL**

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

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