



Sell Out of Teck Resources Ltd. After a Trump Rally

Description

Since early 2016, investors in **Teck Resources Ltd.** ([TSX:TECK.B](#))([NYSE:TECK](#)) have had a lot to feel better about. Reaching a low of \$3.65 in January, while the market sold off and President Obama declared war on coal, shares have recovered very nicely, running far beyond the highs of 2015 and even 2014. At a current price close to \$35 per share, there may be nowhere left to run.

The story

In January, the price of coal reached a new low, causing the company to cut the semi-annual dividend two times. What was a semi-annual dividend of \$0.45 per share was first cut to \$0.15 per share and then to \$0.05 per share. Although the annual dividend of \$0.90 per share was not a huge dividend, it did offer investors a yield close to 3.5%, which is a nice reward for waiting.

Compounding the downtrend in the price of coal was a general market sell-off and the fear of a slowdown in China. The company's considerable debt in excess of \$9 billion made clear what effects leverage could have. With a major decline in the share price, the market arguably priced in a high probability of bankruptcy for the company.

The rebound

At a 52-week low of \$3.65, the rebound has been almost 10-fold. The 52-week high, which came only a few days ago, was \$35.67 per share. All the right factors lined up for the company. Coal prices rose, coinciding with a presidential victory by Donald Trump, which in turn sent the stock market higher. The depths of January now seem far behind us.

To boot, the stock chart and simple moving averages are clearly on a positive trend. The 10-day, 50-day, and 200-day moving averages are \$33.98, \$28.37, and \$18.56, respectively. It is clear the stock is on a bull ride with the shorter-term moving averages higher than the longer-term averages. The reality, however, is the gap in the moving averages; between the 10-day and 50-day and between the 50-day and 200-day, the gaps have never been larger. It is clear the past few weeks have seen a huge increase in the value of the company.

Tangible book value

Although the company was arguably priced for the risk of bankruptcy in January of this year, the book value after backing out goodwill amounts to approximately \$26.65 per share. What a great deal it was at a share price of under \$10!

At a current price in excess of \$30, however, there seems to be very little to get excited about. The current dividend is but 0.30%, and with tangible book value of \$0.80 for every dollar a new investor must deploy to acquire a share, this is an investment to sell, not to buy.

Conclusion

Long-term holders of Teck Resources Ltd. have had a wild ride, and those who have stayed the course will have a lot to show for it. For new investors, however, there are better opportunities elsewhere to invest one's money.

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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