



## Teck Resources Ltd. Is Set to Fall Off a Cliff ... Again

### Description

Not much has changed with shares of **Teck Resources Ltd.** ([TSX:TECK.B](#))([NYSE:TECK](#)) since the end of 2016, other than the momentum running out.

For those who did not follow the company during 2016, it was an incredibly eventful year!

With exposure to coal and President Obama wanting to do away with the resource, shares took a nosedive, reaching a level under \$5 per share, which was completely understandable given the high amount of debt carried on the balance sheet.

With the passing of the baton to Mr. Trump, coal seems to be firing along again with the shares of Teck Resources. After an incredible recovery in the second half of 2016, shares are now trading at a price close to \$31.50 per share, and investors are taking a huge gamble. The recovery took the shares to over \$35!

The fantastic thing about mining companies is the ability to price the shares of the company. Given the work done by the company, investors are aware of the resource and how much of it is available to be mined by the company. Investors know how much the resource will be sold for. The pricing of mining stocks is often done based on tangible book value.

In the case of Teck Resources, the tangible book value per share as of the end of the third quarter of 2016 was approximately \$26.65 per share, representing a share price which traded at an 18% premium to the tangible book value. Clearly, the market was a little euphoric.

### Technical indicators

Although investors should never make a decision to buy or sell a security based solely on technical indicators, it is often helpful to consider simple moving averages (SMAs) to understand how people at large (the market) feel about a security and where the momentum is guiding us.

In the case of Teck Resources, the momentum has clearly tapered off, and the stock has been trading sideways for several months now. Looking at the 10-day and 50-day SMAs, it is clear the fuel in the fire

has run out. Given the incredible turnaround in the share price, the 200-day moving average is still trying the catch up with the current stock price in addition to the 10-day and 50-day averages.

Although the share price seems to be holding at current levels, investments are typically not made based on the potential for a share price to hold, but instead they're based on the potential for investors to see an increase in the share price — especially with a mining company. Although existing investors have potentially made a significant amount of money, it will be very difficult for new investors to join the party and reap similar rewards. The security is anything but secure!

## CATEGORY

1. Investing

## TICKERS GLOBAL

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

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## Category

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ryangoldsman

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