



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

### Description

**Teck Resources Ltd.** ([TSX:TECK.B](#))([NYSE:TECK](#)) is picking up some momentum after a seven-month slide.

Let's take a look at the coal and base metals miner to see if it deserves to be in your portfolio right now.

### Commodities market

A recovery in metallurgical coal, copper, and zinc prices sent Teck soaring from \$4 per share at the beginning of 2016 to \$35 last November.

The rally caught many analysts by surprise, given the three commodities had been stuck in multi-year slumps.

Coal's recovery was the most unexpected, but a policy change in China triggered a surge in prices from US\$90 per tonne to above US\$300 per tonne in November.

The move came on the heels of a March 2016 decision by the Chinese government to reduce the number of days in a year a mine can operate. The decision shifted the market from being oversupplied to relatively tight, which caused the rally.

In November, China relaxed the restrictions in an effort to cool off the market. As a result, met coal prices fell back to US\$150 in the first part of 2017.

Teck is expected to report a Q2 2017 average realized coal sale price of US\$160-165 per tonne.

Copper and zinc also saw their rallies stall out in the beginning of this year, as investors who had pushed up the prices on anticipation of a huge infrastructure boom in the U.S. realized they might have been getting ahead of themselves.

### What is causing the current rally?

Teck's stock price is up 25% in the past month on a rebound in copper and zinc prices.

A weakening U.S. dollar might be behind part of the surge, as all the commodities are priced in the American currency.

In addition, China just released Q2 GDP results that showed a 6.9% year-over year gain, which was slightly better than consensus expectations.

Copper is up more than 5% in the past month, and zinc has jumped more than 10% over the same time frame.

### **What about oil?**

Teck is a 20% partner on the Fort Hills oil sands project, which is scheduled to begin production in late 2017.

The shift from development to production should put an end to the big capital outlays, but pundits are concerned the facility will not be able to generate a profit unless oil prices recover.

### **Should you buy Teck today?**

Teck has reduced debt to a reasonable level and is a low-cost producer in its core product segments.

Any surge in commodity prices will quickly boost margins and should push the stock higher.

The recovery in copper and zinc is starting to look like it could have legs. If you think the base metals are in for another strong run to the upside, and you tend to be an oil bull, it might be worthwhile to start nibbling on Teck's stock.

### **CATEGORY**

1. Investing
2. Metals and Mining Stocks

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