



This Is Why Teck Resources Ltd. Is up 50% Over the Past 2 Months

Description

It's been a wild ride for shareholders of **Teck Resources Ltd.** ([TSX:TECK.B](#))([NYSE:TECK](#)) over the past 18 months, but then again, that's really nothing new for this company.

Shares fell sharply in the first half of 2015 from \$15 all the way to \$3, losing 80% of their value amid the commodity crisis; the company teetered on the verge of bankruptcy at one point.

Those who had nerves of steel could have picked up the shares for essentially what was “pennies on the dollar” at the end of 2015 — and if they had, they would have seen the value of their investment multiply an incredible seven-fold.

That means an investment of \$10,000 in Teck shares would have netted you a cool \$70,000 in just 12 short months.

That's not a bad gig, if you can get it.

Since then, shares have plateaued somewhat, hovering steadily around the \$20 range and trading at just around book value. That means, theoretically, at least, you could buy the company, pay down all the debt, keep the assets for yourself, and break even.

It also means you are virtually getting the entire company's future earnings for free.

The outlook: it's good

Shares are up an impressive 51% since mid-June primarily because the outlook for metallurgical coal — Teck's largest output — is improving.

Teck is involved in the mining and production of copper and zinc in addition to metallurgical coal, which is used in the construction of steel. Largely speaking, coal prices are the bellwether of the firm's performance.

To illustrate the point, in the first six months of 2016, met coal made up less than 40% of the

company's gross profits. But now, with the price of met coal improving, that business line makes up closer to 60% of profits.

In Teck's second-quarter report, issued July 27, management suggested the market for met coal is expected to improve: "The markets have stabilized over the past month and we are seeing good demand for our products. Spot prices for top quality products have moved up by more than US\$30 per tonne and are currently trading above US\$170 per tonne, well up from the lows near US\$140 per tonne in mid-June."

Shares have responded accordingly, up 50% over since the middle of June, when prices bottomed.

Is the trend expected to continue?

With the Bank of Canada raising interest rates along with many other central banking counterparts, this is putting pressure on the U.S. dollar. As a result, the U.S. dollar is down more than 10% since the start of the year.

Keep in mind, that a weaker U.S. dollar usually coincides with a boom in commodity prices, as commodity prices are typically quoted in U.S. dollars.

All this could be providing the perfect storm for those owning Teck shares.

Essentially, investors are getting the company at "clean book" value in an environment that appears to be positioning the firm for success.

Always look for the opportunity. Always be willing to think *Foolishly*.

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Author

jphillips

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