



Teck Resources Ltd. Tops \$30: Are More Gains on the Way?

Description

Teck Resources Ltd. ([TSX:TECK.B](#))([NYSE:TECK](#)) is up 50% in the past two months and comfortably back in positive territory for the year.

Let's take a look at Canada's largest diversified mining company to see if this is the right time to buy.

Commodity rally

Teck produces metallurgical coal, copper, and zinc.

The markets for these products were in multi-year slumps leading into 2016, but all three rallied last year, sending Teck's stock from a low of \$4 per share to above \$35 last November.

The party took a break through the first part of 2017, and Teck's stock pulled back to \$20, but a renewed surge in the commodity markets has investors wondering where we are headed next.

What's going on?

Copper is riding a wave of optimism on global demand and getting an additional boost from production setbacks at some of the planet's largest mines.

The supply issues will likely get sorted out in the near term, but a weak U.S. dollar and improving sentiment on demand in major markets, including China, could keep the rally going.

Zinc is trading at levels not seen in a decade, as years of production cuts are finally hitting supply amid rising global demand.

Metallurgical coal is still down significantly from the highs it hit last November, but prices have firmed up after a big pullback earlier this year.

What about oil?

Teck is a 20% partner on the Fort Hills oil sands development, which is scheduled to begin production

later this year.

That's good news for Teck's capital expenditures, which have been high in recent years due to the mine's heavy development costs, but some pundits are concerned Fort Hills won't be profitable unless oil prices improve.

Should you buy?

Teck's debt load is now under control, and the company is positioned well to benefit from rising prices in its core markets.

Investors who can handle the volatile moves and like the commodity story over the medium term might want to start a small position on the next pullback, but I wouldn't chase the latest rally today.

Copper and zinc have had huge runs in a very short period of time, and they are due to take another break.

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