Teck Resources Ltd. vs Cameco Corp.: Which Stock Is a Better Bet Today?

Description

Teck Resources Ltd. (TSX:TECK.B)(NYSE:TECK) and **Cameco Corp.** (TSX:CCO)(NYSE:CCJ) are two of Canada's top mining companies.

Let's take a look at the industry leaders to see if one deserves to be in your portfolio today.

Teck

Teck's stock tends to be quite volatile, but investors who get in at the right time can realize some big gains.

How big?

In the wake of the Financial Crisis, Teck rallied from $4 per share to above $60 in less than two years. That turned out to be the peak, and a subsequent meltdown in commodity prices sent the shares all the way back down to the $4 mark in early 2016.

Since then, new rallies in metallurgical coal, copper, and zinc prices have triggered another surge with the stock hitting a high of about $35 last November.

Things cooled off in the first part of 2017, and Teck slid back to $20 per share.

However, copper and zinc are on the rise again, and Teck just broke through $30.

Getting dizzy?

This stock isn't for investors with weak stomachs, and those who have been on the sidelines are wondering where things are headed next.

Teck's balance sheet is in better shape than it was early last year, so there is less risk of a major meltdown in the near term. Analysts, however, have different opinions on whether the copper and zinc rallies have legs.

Copper is being supported by supply disruptions at some of the world's largest mines. That situation will likely be resolved in the near term, so investors have to be careful chasing the rally.

Higher demand and tight supplies are driving zinc's rise to price levels not seen in a decade. Mining companies reduced production and delayed expansions in recent years, and it might take a while for output to ramp up and balance the market.

Metallurgical coal soared last year on the back of a policy change in China that restricted the number of days a mine can operate. The country reversed the decision in November and met coal quickly fell 50% from the peak above US$300 per tonne. Prices are back in the US$200 per tonne range, but a return the 2016 high is unlikely in the near term.

Cameco

Cameco has done a good job of reducing costs and managing supply through the ongoing rout in the uranium sector and should benefit handsomely when the market recovers.

When will the turnaround occur?

Uranium prices continue to trade near multi-year lows amid weak demand in Japan and ample secondary supplies.

Japan shut down its entire fleet of reactors after the 2011 Fukushima disaster, and while the country is working hard to get the plants back online, only five of the 42 operable sites are in commercial service.

Uranium bulls point to the construction of more than 50 new reactors worldwide as a reason to buy Cameco. At some point the market should improve, but a recovery doesn't appear to be in the cards anytime soon.

A company-specific issue is also worth considering when evaluation this stock.

Cameco is caught in a nasty battle with the CRA over taxes owed on earnings generated by a foreign subsidiary. If Cameco loses the case, it could be on the hook for $2 billion in taxes and penalties.

Is one attractive today?

I wouldn't run out and buy Cameco right now.

As for Teck, more upside could be on the way, but the easy money has probably been made on the latest surge. It might be good idea to wait for the next pullback before stepping in and buying the stock.

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2. NYSE:TECK (Teck Resources Limited)

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aswalker