



Teck Resources Ltd.: Where Is This Stock Headed Now?

Description

Teck Resources Ltd. ([TSX:TECK.B](#))([NYSE:TECK](#)) dropped 8% last week, and investors are wondering if the latest pullback is an opportunity to buy or a signal to get out.

Let's take a look at the current situation to see if Teck deserves to be in your portfolio.

Coal outlook

Teck produces metallurgical coal, copper, and zinc.

Met coal is the largest operation and is a big reason the stock rallied from \$4 to \$35 last year.

What happened?

Coal prices rocketed from US\$90 per tonne last summer to above US\$300 in November, supported by a policy change in China that restricted the number of days a mine can operate in a year.

The Chinese government reversed the move last November to cool down the market, and the impact was dramatic. Coal prices dropped 50% in a matter of a few months.

As a result, Teck fell back to \$20 per share through the first half of the year.

The coal market firmed up a bit through the summer, but Teck recently said it expects the Q3 average realized price to be US\$158–163 per tonne, and investors didn't like the news.

Copper and zinc

A rally in copper and zinc in the past few months has lifted Teck's share price back above \$31 before the latest coal news came out. Investors might simply be booking profits after the strong move and waiting to see where the commodity markets are headed next.

Copper recently hit its highest point in nearly three years, and zinc has been at levels not seen in a decade.

Chinese news

Teck also came under pressure last week after the company said a Chinese sovereign wealth fund cuts its holdings in Teck's stock.

On top of that, new data out of China showed Chinese copper imports have been flat since May. The metal slid 3% on the report, and investors decided to extend the sell-off in Teck's shares.

Should you buy?

The frenzy in the copper and zinc markets might be over, or at least ready to take a break. As a result, I would sit on the sidelines until the pullback has clearly run its course.

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1. Investing
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aswalker

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