



Teck Resources Ltd. Is Down 14% in the Past Month: Is it Time to Buy?

Description

A declining stock price could mean bad news or results have sent shares tumbling. However, in some cases, it is not related to company-related issues, and that could be a good opportunity for opportunistic investors to scoop up the stock at a low price.

Teck Resources Ltd. ([TSX:TECK.B](#))([NYSE:TECK](#)) has seen its stock price drop over 14% this month, and I'm going to have a look to see why this has happened and whether or not it is a good buy today.

What caused the drop in share price?

The China Investment Corp. (CIC) sold over 41% of its holdings early in September, which was not due to performance concerns; it was simply a shift in its portfolio holdings. This change happened only weeks after the Chinese government said it would look at policies that would make it more appealing for investment in China in the hopes of obtaining more foreign investment as well as encouraging locals to invest in the domestic economy.

What does this mean for Teck Resources?

Since the CIC owned a 17.2% stake in the company, a 41% sale of its holdings would have a big impact on Teck's stock since that would mean over 7% of all outstanding shares were sold. A sell-off so significant would have a big impact on any stock, and the share price continued to decline afterward, as a combination of stock losses being triggered and poor technicals likely resulted in more bearish activity.

The good news for investors is that there were no poor results or news that caused the drop, and it just might make the mining company an even better buy today.

Rising zinc and copper prices could make for a strong Q3

As commodity prices rise, Teck will be able to realize a higher average price for its goods, which means a stronger top line. Since Q2, copper and zinc prices have continued to climb, and the company will likely see a strong performance from those segments in Q3. However, the biggest driver of Teck's

success will come from steel-making coal, which, last quarter, contributed more sales than zinc and copper combined.

Unfortunately, this is where the company may see a drop off as the average realized price in Q2 for steel-making coal was US\$169, and in its latest guidance, Teck forecasts that the average price will fall somewhere between US\$158 and US\$163. Although this is not a big drop off, it suggests that Q3 might not be better than Q2, but year over year, the results will still likely see a significant improvement.

Should investors buy the stock today?

The company still presents an excellent investment opportunity, and with a price-to-earnings multiple of seven, there is good value for the price. The danger of investing in Teck is that the company will be heavily impacted by commodity prices that can fluctuate significantly.

Year-to-date returns for the stock have been down 2%, but in the past 12 months, the share price has risen by 10%. In its last fiscal year, Teck saw revenues grow by over 12% after declining the previous two years. If the company can continue building on these positive results, its share price will definitely continue to improve.

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