



These Stocks Are About to Break Out!

Description

For investors searching for the next major breakout in the resource sector, the good news is, it just may be on our doorsteps as we speak. With the price of gold holding its own for the past six months and even staging a rally in the past few months, investors may be getting ready saddle up for the next bull run in the metal.

At a current price of \$16.50 per share, **Goldcorp Inc.** (TSX:G)(NYSE:GG) has started to show signs of a bottom with the potential to rally from here. At current levels, the company is essentially trading at a price equal to its tangible book value while offering investors a small dividend of 0.6% on a quarterly basis. Essentially, the tangible book value is acting as a floor price on the security.

The catalyst for investors seeking a large breakout in this name is that the share price has tested the \$16 mark on two separate occasions over the past few months only to rebound each time. Given 10-day and 50-day simple moving averages (SMA), which have caught up with the share price, the market may now be pricing in a better future for gold prices than it previously did.

Investors seeking a more diversified gold play may want to consider investing in **Barrick Gold Corp.** ([TSX:ABX](#))(NYSE:ABX), which, at \$20 per share, is approaching a 52-week low and has the opportunity to break out as gold prices move higher.

Coinciding with falling gold prices are low interest rates, which have persisted for many years. As gold is a commodity which can be stored for the long term (and will never go bad), the major potential catalyst for the price of gold will come in the form of higher rates, which translate to higher costs to carry the metal, potentially leading many gold producers to demand a higher level of profitability for each new project they undertake.

Barring lower interest rates, gold production will be gradually reduced as time moves forward, leading to less supply and higher prices.

For investors wanting to ignore the shiny metal, shares of **Teck Resources Ltd.** ([TSX:TECK.B](#))([NYSE:TECK](#)), which currently trade at a price near \$27.50 and derive a substantial amount of revenue from coal, are relatively inexpensive at 7.5 times trailing earnings and trade at a discount to tangible

book value. At current levels, the discount to the tangible book value of \$30.07 is approximately 10% as shares have been very volatile over the short term. Over the long term, however, stability has been found.

Teck's 10-day, 50-day, and 200-day SMAs have all started to converge, allowing for the bulls to line up before a major breakout occurs. With many resource companies, a potential leading indicator to a major breakout is the calm before the storm, as the demand for the underlying resource is an input which is used at the beginning of the manufacturing process. Given the ease with which the Canadian economy is moving forward, investors snapping up these names will receive the potential that comes with it!

CATEGORY

1. Energy Stocks
2. Investing
3. Metals and Mining Stocks

TICKERS GLOBAL

1. NYSE:B (Barrick Mining)
2. NYSE:TECK (Teck Resources Limited)
3. TSX:ABX (Barrick Mining)
4. TSX:TECK.B (Teck Resources Limited)

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