



Teck Resources Ltd.: Is This Stock a Buy?

Description

Teck Resources Ltd. ([TSX:TECK.B](#))([NYSE:TECK](#)) is up 12% in the past month.

Let's take a look at Canada's largest diversified mining company to see if it deserves to be in your portfolio right now.

Volatile market

Teck produces metallurgical coal, copper, and zinc. The three commodities suffered a nasty price slump from 2011 through 2015, and Teck's stock took a hit as a result.

How bad was it?

Teck fell from \$60 per share to \$4 over that time frame, as high debt combined with low margins to put pressure on the balance sheet. A surprise recovery in met coal prices turned things around in 2016, and Teck's share price rose to \$35 by November.

Copper and zinc also staged recoveries last year, helping support Teck's rally.

The company took advantage of the windfall to pay down debt, so the balance sheet is now in much better shape.

2017

Teck's stock fell back to \$20 through the first half of 2017 as the commodity rallies cooled off.

Coal slipped from above US\$300 per tonne in November to about US\$150, and Teck expects the Q3 2017 realized price to be about US\$160.

Copper and zinc took a break in the first part of 2017, but they have since soared to new highs, bringing investors back into the market.

As a result, Teck's share price is closing in on the \$30 mark once again.

Copper just hit its highest level since early 2014 on improved expectations for Chinese demand and ongoing production issues at some mines in Australia, Chile, and the United States.

Zinc has more than doubled since the beginning of 2016 and now trades at levels not seen in a decade. Rising demand and short supply are providing support to the impressive rally.

The oil play

Teck is a 20% partner in the Fort Hills oil sands project, which is due to begin commercial production by the end of this year.

Fort Hills put added pressure on cash flow in recent years, and many analysts have questioned the project's ability to make money. With WTI oil back above US\$52 per barrel, the oil bulls are starting to emerge again, and that should bode well for Teck as Fort Hills moves from development to production.

Should you buy?

Teck can be a very volatile stock, so you have to be prepared to ride out big price moves.

At this point, the copper and zinc rallies are starting to look a bit stretched, and while coal is improving after the big drop earlier this year, it isn't likely to soar back to the levels of late 2016.

If you think the commodity rally has legs, Teck deserves to be in your portfolio, but I would keep the position small.

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Date

2025/09/13

Date Created

2017/10/19

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