



## Should Teck Resources Ltd. or Potash Corporation of Saskatchewan Inc. Be in Your Portfolio Today?

### Description

Commodity investors are searching for companies that could be on the verge of big rallies.

Let's take a look at **Teck Resources Ltd.** ([TSX:TECK.B](#))([NYSE:TECK](#)) and **Potash Corporation of Saskatchewan Inc.** (TSX:POT)(NYSE:POT) to see if one should be on your buy list.

### Teck

Teck can be very volatile, as investors have seen for better or worse over the past decade.

How volatile?

In the spring of 2008, Teck traded for more than \$50 per share. Before the year ended, [bargain hunters](#) were picking it up for less than \$4.

A new rally began in 2009, supported by a flood of global infrastructure spending in the wake of the Financial Crisis that sent coal, copper, and zinc prices skywards.

At the end of 2010, which proved to be the peak of the recovery, Teck topped out above \$60 per share.

As often occurs, overproduction in the commodity space hit the market just as the spending boom went dry, and copper, zinc, and coal began a multi-year slump that didn't end until last year.

Teck plunged through the end of 2015 and bottomed out, once again, near the \$4 mark in early 2016. Since then, a new recovery in the core products has sent the stock higher; it reached \$35 last November.

At the time of writing, Teck trades for close to \$29 per share.

Copper and zinc have enjoyed stellar rallies in recent months, so there is a risk of a strong reversal in the near term. The next dip could be significant, or simply prove to be a short-term pullback before

another leg to the upside. At this point, it is anyone's guess, but investors should be careful with Teck heading into the first part of 2018.

### **Potash Corp.**

Potash Corp. is in the process of merging with **Agrium Inc.** (TSX:AGU)(NYSE:AGU) in a deal that will create a global fertilizer giant. The combined company will have a strong presence in both wholesale and retail markets, which should provide better revenue and cash flow stability for Potash Corp. shareholders, who are currently at the mercy of the ups and downs of wholesale prices.

Nitrogen and potash prices appear to have bottomed out after a lengthy downturn, and the phosphate market might also be ready for a recovery.

Potash Corp. and Agrium have completed multi-year capital programs that should prepare the new company for the next upturn in the fertilizer sector, and investors don't have to worry about big projects putting a drain on cash flow in the coming years.

Potash Corp. trades for about \$25 per share right now, significantly below the \$45 investors paid in early 2015.

Once the merger is complete, the new company could see an inflow of investors, and there is a chance the fertilizer market is at the beginning of a new upward trend.

### **Which one should you buy?**

Teck could certainly extend its gains and take another run at \$60 in the next couple of years, but a strong move to the downside is also possible.

Commodity stocks are always going to be [volatile](#), but I would probably make Potash Corp. the first pick today, as it likely has limited downside from the current price, and the new company, Nutrien, could see a nice recovery in 2018 and beyond.

### **CATEGORY**

1. Investing
2. Metals and Mining Stocks

### **TICKERS GLOBAL**

1. NYSE:TECK (Teck Resources Limited)
2. TSX:TECK.B (Teck Resources Limited)

### **PARTNER-FEEDS**

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aswalker

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