



Up 28% in the Last 2 Months, How Much Higher Can Teck Resources Ltd. Go?

Description

Teck Resources Ltd. ([TSX:TECK.B](#))([NYSE:TECK](#)) is back at it again.

Shares in the volatile commodity producer, which specializes in the mining and extraction of metallurgical coal, copper, and zinc, were up 28% over the last two months and are up 17% so far during December.

But for those familiar with the company, the news shouldn't exactly come as a shock.

Despite being one of the larger constituents in the TSX Composite, Teck can best be described as having certain "Jekyll and Hyde" qualities, including a 90% collapse between 2011 and 2016, only to be followed by a 500% turnaround the following year.

For a patient investor, that type of volatility can be difficult to swallow.

But for those willing to "ride the waves," there's ample opportunity to make money when Teck shares start to break out, as they have of late.

The bulls are buying commodities

Commodities are starting to show life again, following the mark of a 10-year low at the start of 2016.

The Republican's tax reforms are expected to inject life back into the U.S — and global — economy, which has people talking about inflation.

And what is perhaps the example of a "perfect storm," as [inflation expectations have begun to accelerate](#) in recent weeks, the U.S. dollar is simultaneously experiencing declines.

That's important because traditionally, a weaker U.S. currency has acted as a tailwind for commodity prices, including the copper that Teck extracts from the ground.

Recent results

The [third quarter saw some encouraging signs](#) from the B.C. miner, including record cash flow from operations and cost savings in the company's copper business.

But the biggest driver of profitability for Teck is the company's coal business, which, although it experienced record sales volumes, also saw quarter-over-quarter declines in realized prices.

But every cloud has a silver lining, and if Teck can see improvement in its coal operations, that could very well be the catalyst needed to send the shares to new all-time highs.

How high can Teck go?

With metals and mining companies, this is always a difficult question to answer, and even if you did have the answer, it's liable to change on a dime.

But for the time being, at least, Teck's shares have positive momentum behind them and are trending in the right direction.

In terms of finding a "ceiling," Teck's share price has tended to historically trade at around 18 times the value of its earnings per share.

Right now, shares are only trading at eight times earnings, which suggests considerable opportunity for upside from where the shares trade today.

Bottom line

If there was ever a time, now might be the one to try and hop on the Teck "bull" and ride it to the top of the mountain.

But given the recent run-up in price, there may be some unwanted volatility ahead, so you may want to take a second to buckle up your seat-belt first.

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