



Could Teck Resources Ltd. Hit \$50?

Description

Teck Resources Ltd. ([TSX:TECK.B](#))([NYSE:TECK](#)) is trading near multi-year highs, and investors are wondering if the rally has legs.

Let's take a look at Canada's largest diversified mining company to see if it deserves to be in your [portfolio](#).

A bit of history

Long-term followers of Teck know the stock can be volatile.

Five years ago, Teck traded for \$37 per share, about where it trades at the time of writing.

A downturn in metallurgical, copper, and zinc prices hit the company hard, and the stock went into an extended downward trend, eventually bottoming out in early 2016 around \$4 per share.

At that point, the market thought the company's heavy debt load was too much for Teck to handle, but a surprise rebound in the commodity markets brought the stock back to life.

By November 2016, Teck was back to \$35 per share.

Another pullback in commodity prices hit the stock in 2017, sending it back down to \$20 in the middle of June. Since then, Teck has recovered the losses on improved copper and zinc prices as well as an uptick in [oil](#).

Why is oil important?

Teck is a partner in the Fort Hills oil sands development, which is now shifting to production.

The project was a major cash drain in recent years and contributed to Teck's steep sell-off, but oil prices are recovering at exactly the right time, and investors are feeling better about the potential for Fort Hills to generate attractive cash flow.

Another tailwind for Teck is the increasing chatter that we might be entering a new commodities super cycle.

Bulls say the Trump administration has the ability to put policies in place to boost economic growth. In addition, the market could be ramping up ahead of an expected infrastructure-spending boom in the United States.

Could Teck reach \$50?

History suggests \$50 or higher could be in the cards.

The last time Teck rallied off a low of \$4 per share, it actually hit \$60 before giving back all the gains.

If the same scenario is playing out, and it looks to be the case since early 2016, Teck could move significantly higher in 2018.

Should you buy?

The volatile nature of the commodities sector must be considered, and you don't want to get caught buying this stock near the top. The current trend is favourable, but I would keep the position small.

CATEGORY

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