



Making Teck Resources Ltd. Great Again

Description

Shares in **Teck Resources Ltd.** ([TSX:TECK.B](#))([NYSE:TECK](#)) have gained a very impressive 40% over just the last two months.

You may be thinking that it's too late now to "jump in" and that you've already missed out on the rally. I wouldn't blame you for thinking that, and in most cases I would normally agree with that kind of sentiment.

But in the case of Teck Resources right now, there are several encouraging signals that suggest the latest leg up could just be the beginning of a larger and more pronounced rally in the company's shares.

The Chinese economy has begun to accelerate again

Last week it was reported that in 2017 the Chinese economy grew at its fastest pace in two years and showed its first sign of acceleration in more than six years, recording GDP growth of 6.9%.

The Shanghai Stock Index has now reached its highest level in two years, and the Hong Kong Hang Seng Index also recently made a new all-time high.

China is the world's largest importer of commodities, particularly metallurgical coal and copper — both of which drive Teck's engine, so the latest news is certainly a good sign for the B.C. miner.

Money has begun to flow out of the U.S. dollar

The U.S. Dollar Index, which measures the strength of the greenback against a basket of global currencies, has lost more than 5% of its value since the start of November. While that may not be a welcome development for your U.S. investments, it is good news for commodities, which typically trade in the opposite direction of U.S. currency.

Teck shares should be expected to act as a "hedge" against your U.S.-denominated holdings.

Foreign stocks have been outperforming the market

As a general rule, currencies trend in the same direction as the strength of a country's economy. So, while the U.S. dollar has been falling, this has tended to favour foreign markets, including China and Canada.

On the one hand, stronger foreign markets are good for Teck, because developing nations tend to be larger consumers of commodities. On the other hand, a stronger Canadian economy — and stock market — is also good for Teck, thanks to the “rising tide lifts all boats” phenomenon.

Inflation is back

Global interest rates have risen sharply in recent weeks, with the 10-year U.S. Treasury yield hitting a three-year high last week. While higher interest rates may not sound like a good thing, they're actually indicative of [a stronger economy and rising inflation](#).

Commodities tend to move in the same direction as inflation.

Commodities are rallying

The Jeffries CRB index, which measures a basket of commodities, is up 19% since the start of last summer.

A lot of the factors outlined above have been driving a [resurgence in commodity prices](#), but keep in mind that the index is still nearly 40% below its 2014 highs, so there is still a very long way to go.

The latest rally may just turn out to be the start of a very promising 2018 for Teck shareholders.

CATEGORY

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

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Date

2025/07/03

Date Created

2018/01/31

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