Shares in Teck Resources Ltd. Are Taking Off: Up 17% Over 3 Weeks

Description

Shares in **Teck Resources Ltd.** (TSX:TECK.B)(NYSE:TECK) are taking off again—up 14.0% so far in May and 17.1% since the last week of April.

Teck Resources also just so happens to be one of the more volatile stocks on the TSX, meaning the latest surge in the company's share price could just be the beginning of a bigger trend.

Inflation is on the rise

Following a period of benign inflation that has persisted throughout North America and many European economies since the 2008-09 financial crises, there are encouraging signs that the U.S. economy is starting to pick up again, and it's bringing higher prices along with it.

Since June of last year, U.S. markets have been experiencing a steady uptick in inflation, rising from 1.6% a little under a year ago to a 2.5% reading in April—the highest in more than a year.

Prices are moving higher on the back of a recovering energy market.

That has interest rates tracking higher as central bankers move to curb harmful inflationary pressures.

And while higher interest rates can be bad for the economy—making borrowing costs prohibitively more expensive for individuals and corporations—inflation has historically been linked to higher prices for commodities and commodity producers, like Teck for example.

Commodities are on the rise

The theory is clearly illustrated in the data for energy and commodity prices.

Over the past year, as inflation has begun to pick up, this has coincided with a strong rally in the price for West Texas Intermediate Crude (WTIC), which has seen the price for the "black gold" rise from a low of US$42.05 last June to US$71.49 this week, an impressive gain of 70% in under a year.

Copper too—one of Teck's primary outputs—has enjoyed a similar fate, up 21.8% since last June with **Moody's**

, a ratings agency, forecasting a forthcoming supply deficit in the metal that could serve to push prices higher.

Teck stock is also on the rise

And Teck stock has proven no exception to the recent trend of higher inflation and commodity prices.

The “bottom” in commodity prices officially formed at the start of 2016, back when the price of WTI was hovering at US$26 per barrel.

Since then, Teck stock has absolutely skyrocketed from a low of under $4 on the TSX to its current price of just below $37–a whopper of a gain, up 825% in under three years.

But following a short spell that allowed the shares to catch up to themselves, Teck stock appears to be breaking out again, recently bouncing off the 200-day moving average and propelling 17% higher in the three short weeks since April 25.

Bottom line

“Live by the sword, die by the sword.”

An investment in Teck Resources can prove to be tremendously profitable if you play your cards right—as evidenced by the more recent eight-fold gain in the company’s share price since 2016.

Yet commodity markets can be terribly fickle even at the best of times.

Foolish investors would be wise to take the plunge on Canada’s largest metals and mining stock and try to ride this next wave higher, but they will also want to keep a watchful eye on the exits at all times in case things suddenly take an unexpected turn for the worse.

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