3 Reasons Why Shares in Teck Resources Ltd. (TSX:TECK.B) Have Been Taking Off

Description

Shares in **Teck Resources Ltd.** (TSX:TECK.B)(NYSE:TECK) have been absolutely taking off, more than doubling over the past year, not to mention rising more than ten-fold from their lows reached in January of 2016.

While it's certainly been a wild (and profitable!) ride for shareholders thus far, there's good reason to believe the rally may not be over yet.

Here are three reasons why shares in Teck Resources could continue to take off in 2018:

Escalating U.S.-Canada trade tensions could boost Teck's short-term profits

Tensions have been rising between Canada and the United States following the recent G-7 summit in Quebec and some unfortunate barbs back and forth between U.S. President Donald Trump and Canadian Prime Minister Justin Trudeau.

While a potential trade war with Canada's largest trading partner could spell very bad news for certain Canadian industries and potentially the Canadian economy at large, it could also serve as a positive catalyst for Teck shares.

That's because a long and drawn out trade war and its undesirable consequences on Canadian markets would more than likely put downward pressure on the Canadian dollar or "loonie."

That would make Canadian exports appear cheaper to foreign buyers, thereby stimulating demand. This could in turn be good news for Teck, which exports the majority of its product to international markets, namely China.

Forecasters are expecting a supply deficit in copper over the next two years

Teck mines and sells metallurgical coal that is used to make steel as well as copper and zinc.

Meanwhile, recent forecasts are suggesting that there is more than likely going to be a copper supply deficit on the horizon, which could put upward pressure on prices for the yellow metal.

More to the point, this week **Bank of Montreal** (TSX:BMO)(NYSE:BMO) came out with a report that saw the bank raise its long-term forecast price for copper, which it attributed to increasing demand for renewable energy.

The bank cited that increasing demand for solar and wind projects and electric vehicles could significantly drive the growth of copper, as the commodity is a key input in those products.

In addition, many copper mines currently in operation today are nearing the end of their useful life, which would only serve to amplify a spike in prices for Teck's second largest output.

Teck stock is historically volatile

Despite what is actually a rather large market capitalization of $21.6 billion, Teck remains one of the most volatile companies listed on the Toronto Stock Exchange.

You needn't look any further than the recent ten-fold increase in the value of the company as evidence of that.

While at times that type of volatility can spell problems for investors – for example, the period between 2011 and 2015, when the value of Teck's shares fell precipitously from above $50 to below $5 per share.

But if you find yourself on the right side of a trade in Teck, it can prove tremendously profitable.

Bottom line

The smart way to play a trade in Teck is to follow the trend.

Fools may want to take advantage of the latest pullback to the $35 level on the TSX, or $27 on the NYSE, as the next leg up in the company's shares could prove to be very significant for investors.

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