



## Is Teck Resources Ltd. (TSX:TECK.B) or Barrick Gold Corp. (TSX:ABX) Attractive Right Now?

### Description

Contrarian investors are searching for out-of-favour stocks that could hold the [potential for big future gains](#).

Let's take a look at **Teck Resources Ltd.** ([TSX:TECK.B](#))([NYSE:TECK](#)) and **Barrick Gold Corp.** ([TSX:ABX](#))(NYSE:ABX) to see if they might be interesting picks right now.

### Teck

Teck is Canada's largest diversified mining company with operations producing steel-making coal, copper, and zinc. Teck is also a 20% partner in the Fort Hills [oil sands](#) facility that was completed last year and is now ramping up output.

Copper and zinc prices have dropped significantly after impressive rallies that took the base metals to multi-year highs. Copper is currently trading for US\$2.80 per pound compared to more than US\$3.20 in June. Zinc was US\$1.60 per pound earlier this year, but it is now down to US\$1.20.

This is how things go in the commodities markets, and the volatility can have a huge impact on the profit margins and stock prices of the producers. Teck's shares traded for \$38 in June. At the time of writing investors can buy for \$32.50. That's still eight times higher than the 2016 low, so long-term watchers of the stock are wondering if the latest pullback is simply a pause in a broader recovery or the start of another extended rout.

Trade war threats have to be considered when evaluating Teck today. If things get out of hand between the U.S. and China, the commodity markets could tank, as we saw during the Great Recession.

On the positive side, a cooling of the rhetoric and renewed fiscal stimulus in China combined with an infrastructure boom in the United States could trigger a strong move to the upside. In that scenario, Teck could revisit the \$60 mark it hit at the top of the past cycle.

## **Barrick**

Gold prices continue to give back gains, and more downside could be on the way. Gold topped US\$1,360 per ounce in April, but it is back down to US\$1,225, which is a new 12-month low.

Gold can find short-term support during times of global uncertainty, as investors look for safe-haven assets to park their cash. In the past three years we have seen the price spike on a couple of occasions, but the market is becoming numb to the constant shocks coming from President Trump, and that is likely to continue.

The bigger issue facing gold is rising interest rates. The higher rates go, the larger the opportunity cost for investors who own the non-yielding precious metal. With rates on fixed-income alternatives moving higher, investors could start to dump gold holdings.

The U.S. Federal Reserve is on track to raise rates at least three times in 2018. The more aggressive the market thinks the Fed will be, the tougher things get for gold.

Regarding Barrick, the company has done a good job of turning itself around. Debt is down to a manageable level, and the company is focused on generating free cash flow from its highest-return assets. The stock trades for \$15.50 per share, which is down from the 12-month high above \$22. Barrick bottomed out around \$8 per share in 2015, but it still has a long way to go before it reaches the highs above \$50 it enjoyed in 2011.

### **Is one a better bet?**

I would stay clear of Teck until copper and zinc show signs that the recent rout is over. The same advice applies to Barrick, as gold faces some strong interest rate headwinds in the medium term.

Both companies are market leaders in their segments and can generate significant gains if you get the timing right. I'm just not convinced this is the right moment to step in and buy.

Other opportunities might be better bets today.

## **CATEGORY**

1. Investing
2. Metals and Mining Stocks

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1. Editor's Choice

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## **Author**

aswalker

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