Are These 2 Canadian Miners With Low P/E Ratios Worth Buying?

Description

Mining stocks are getting some attention at the moment, with investors eyeing the range of undervalued commodities producers for quality and growth indicators.

Below you will find two stocks that offer investors just that. But why should you be looking at adding miners to your portfolio in the current economic climate?

Adding commodities can give investors that little bit more diversification, despite the risk that putting your money into miners can potentially bring. After all, mining operations are expensive and sensitive to localized stressors.

The other thing to bear in mind is that miners can actually benefit from inflation, making these kinds of stocks a good side bet in the event of an overheating economy.

Teck Resources (TSX:TECK.B)(NYSE:TECK)

Teck Resources is a great pick if you are looking for some decent geographical diversification to slot right into your portfolio. If you're a little Canada-heavy, or feel that to0 much of your money is any one locality, add this one stock to get instant exposure to the Americas, including Peru and Chile.

While Teck Resources may be trading at more than double its future cash flow value, two of its core multiples are nice and low: look at that P/E of 6.4 times earnings and P/B of 0.8 times book. However, these low ratios may be hiding a lack of growth. Indeed, we can see a 9.3% expected contraction in earnings over the next 1-3 years.

However, some key indicators of quality are present here: a return on equity of 13% last year is just shy of the significant threshold, while a debt level of 31% of net worth is acceptable. A small dividend yield of 0.65% is on offer if you like a sniff of passive income with your mining stocks.

A gently oscillating trend in share price may make this a dull choice for momentum traders, however. Consider **Goldcorp** as a competitor to buy instead if you don't like Teck Resources' outlook.

Turquoise Hill Resources (TSX:TRQ)(NYSE:TRQ)

If you don't yet hold mining stocks that have a base of operations in the Pacific Rim, then go grab yourself shares in Turquoise Hill Resources.

In terms of value, it is not too dissimilar to Teck Resources in its low core ratios: we're in familiar territory with a P/E of 11.5 times earnings and a P/B of 0.5 times book.

That 0.9% expected reduction of growth in future earnings might have something to do with this undervaluation. Indeed, a distinct negative trend in Turquoise Hill Resources' share price may even be enough to put this stock on the downward momentum investment radar.

In terms of quality, you may be better off with Teck Resources. Turquoise Hill Resources had a return on equity of just 4% last year, pays no dividend, and has a higher debt level of 50.2% of net worth. Take a look at competitor **First Quantum Minerals** for an improved outlook

The bottom line

Teck Resources is a great choice if you want exposure to copper, and also makes for a good low-exposure entry to the electric vehicle (EV)/tech and general construction markets.

While the latter may be swayed somewhat by a downturn in the economy, the auto industry seems finally to have committed itself to EVs, making for a market that looks good long term. Go for Turquoise Hill Resources for the same reasons, but with a lower valuation as per assets.

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