



## Why a U.S.-China Trade Deal Could Provide a Huge Catalyst for TSX Metals and Mining Stocks

### Description

The **Dow Jones China Broad Market Index** (INDEXDJX:DJCHINA), an ETF designed to track movements in the Chinese stock market, is up more than 32% since the second week of February.

If that doesn't tell you anything about the state of the market's current mindset toward the prospects of a potential trade deal between the United States and China, then frankly I'm not sure what will.

Not only would a potential trade deal reached between the world's two largest economies do much to lift the current veil of uncertainty that has seemed to plague markets going back to last fall, but renewed growth within China, the world's single largest importer of commodities, could end ultimately provide a huge catalyst for commodities prices and commodity-related stocks.

In this post we'll look at two metals and mining stocks listed on the **TSX Index** and how these companies would be impacted from the potential of any forthcoming U.S.-China trade deal.

Copper may be second only to oil as the natural resource most closely linked to the level of global economic activity.

In a post last week titled, ["Millennial Investors: 3 Reasons Why Copper Could Be Your Generation's Oil"](#) I explained how copper's prominent role in emergent technologies such as electric vehicles and renewable power systems could even vault it to the top of that list before the end of the next decade.

Two Canadian-based metals and mining stocks, **First Quantum Minerals Limited** ([TSX:FM](#)) and **Teck Resources Ltd** ([TSX:TECK.B](#))([NYSE:TECK](#)) stand to be huge beneficiaries of such a development were it to occur.

First Quantum's aim is to become one of the largest widely held, pure-play coppers producers in the world.

At present, U.S.-based **Freeport-McMoRan Inc** still holds claim to that title, but if management at First Quantum can continue to execute on the company's strategy, there's a chance that it could eclipse

Freeport-McMoRan by the end of the next decade.

After all, it was only in 2017 that First Quantum reported record copper production of 573,963 tons in addition to 199,736 ounces of gold and 17,837 of nickel.

Still valued at less than half the size of larger peer Freeport, First Quantum still has a long way to go, but the next 10 years could prove to be a rewarding journey for patient and disciplined investors.

Teck Resources meanwhile also has a sizeable copper business, producing 294,000 tons of the red metal in 2018.

Yet an arguably even larger driver of the variations in Teck's operating performance comes from its interests in metallurgical coal, which is used as an input in the process of manufacturing steel.

As part of the historic Chinese infrastructure boom, demand for steel reached peak levels in 2011.

At the time, TECK shares were as hot as any other security that traded on the TSX Index, yet in the years since, as Chinese economic output has cooled, so too has the demand for met coal.

Today the TECK shares trade at less than 60% of their \$53 all-time high mark on the TSX.

If an impending trade were to be reached between the U.S. and China, not only could it do a lot to lift current tensions, but a successful agreement for both parties could also pave the way toward a meaningful lift to the long-term potential of both countries economic prospects.

This would be a welcome development for the [metals and mining sector](#) as a whole, not the least of which would include First Quantum and Teck Resources.

## CATEGORY

1. Investing
2. Metals and Mining Stocks

## TICKERS GLOBAL

1. NYSE:TECK (Teck Resources Limited)
2. TSX:FM (First Quantum Minerals Ltd.)
3. TSX:TECK.B (Teck Resources Limited)

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jphillips

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