



Coronavirus Sell-off: Should You Buy This Decimated Miner?

Description

Teck Resources Inc. ([TSX:TECK.B](#))([NYSE:TECK](#)) got crushed with practically every other stock in the sector over the past months. Slowing economic conditions have hit commodities hard. Teck is sitting at a price of just over \$10 a share at the time of this writing, which is fairly low historically.

Is now a good time to buy Teck as a contrarian play?

The situation

Even before the coronavirus, Teck was the recipient of numerous bad news items. Apart from the general negativity surrounding the coronavirus and oil prices, Teck has also been stricken by some company-specific disappointments.

Before the market fell apart, Teck faced a lot of political issues and red tape on its Frontier oil sands mine. Just prior to the market crash, Teck pulled out of the project, as management wasn't sure that it would ever come to fruition. This setback impacted the company's shares, driving the price down substantially.

However, there were even more issues facing the company prior to the general market collapse. It seems no one is talking about it at the moment, but a month ago everyone was focused on ESG investing. Teck, as a coal, oil sands, and copper miner is not viewed favourably by this new paradigm of investing.

The argument for investing

If you look at a long-term historical chart, buying Teck when it has fallen considerably has often proven to be a profitable choice. Many times, after purchasing shares lower than \$5, they bounced back when market conditions improved.

If there is more pain coming in future weeks or months, there might be a better time to enter the stock. The current price is not a historically excellent entry point, so it might be a good idea to wait. This is especially true if the global economy cools for a considerable length of time.

Another reason why you might want to buy the stock here is the dividend, albeit this company's dividend isn't massive. It currently sits at just under 2%, and there's no reason to assume that the dividend will grow any time soon. Again, you will receive a much larger dividend if you wait for the stock to fall further.

The Foolish takeaway

Teck is a great company to own if you believe the global economy will emerge from the economic slump sooner rather than later. If you aren't certain the economy will recover in short order, it might be a good idea to take a pass on Teck for the time being. While it's certainly cheap, there might be a better entry point if things get even more painful in the coming weeks and months.

Personally, I think I might take a shot at the company at the \$5 mark if it falls to that level. At that point, I will be receiving a dividend of around 4% and will be at a historic low point for the company. Of course, you can never rely on the dividend of a mining company.

Nevertheless, it would still be a bonus. Wait for more pain before getting into this stock and you may be glad you decided to hold off.

CATEGORY

1. Coronavirus
2. Metals and Mining Stocks

TICKERS GLOBAL

1. NYSE:TECK (Teck Resources Limited)
2. TSX:TECK.B (Teck Resources Limited)

PARTNER-FEEDS

1. Business Insider
2. Msn
3. Newscred
4. Sharewise
5. Yahoo CA

Category

1. Coronavirus
2. Metals and Mining Stocks

Date

2025/08/26

Date Created

2020/03/28

Author
krisknutson

default watermark

default watermark