



Will Teck Resources Stock Hit \$60 Again?

Description

Teck Resources ([TSX:TECK.B](#))([NYSE:TECK](#)) already saw its stock price triple off the 2020 lows and more big gains could be on the way for Canada's largest diversified mining company.

Coal, copper, and zinc outlook

Teck Resources produces steelmaking coal, copper, and zinc. It is also part owner of the Fort Hills oil sands facility.

A trade dispute between China and Australia is helping Teck Resources sell more metallurgical coal to China at higher prices than those being received by key Australian competitors who are currently forced to find other buyers.

Talks between China and Australia broke down in May and there seems to be little hope of a resolution in the near term. As a result, Teck Resources could benefit through the end of 2021 and into next year.

Even if Australia and China sort out their differences, the metallurgical coal market should remain robust over the next few years. Steel prices are soaring as demand outstrips supply. Trillions of dollars of stimulus spending in the United States and other countries will see a large chunk go to infrastructure projects such as new bridges.

Copper prices recently gave back some gains after soaring from a 2020 low of around US\$2 to US\$4.75. The market might have gotten a bit ahead of itself and China has announced it will release stockpiles into the market to squeeze out speculators and attempt to normalize prices.

While copper fell back to US\$4.10, it's already moving higher again and currently trades near US\$4.30 per pound.

Copper producers shelved new projects in recent years due to weak prices. The result could be a copper shortage before supply ramps up to meet rising demand. An expansion of the global electric vehicle market and stimulus investments targeted at solar and wind power projects will all drive copper

demand higher.

In short, copper could be in the early stages of a multi-year bull rally, even if China tries to hold down prices.

Is Teck Resources stock a buy?

Teck's fortunes rise and fall with the cycle of commodity prices. The last three times the market rallied off a low, Teck's stock delivered impressive gains. The share price went from \$5 after the financial crisis to \$60, before giving back most of those gains when the demand faltered just as a new supply hit the market.

In the current rebound, Teck has moved from below \$10 last year to a 2021 high of \$31. The recent pullback brought the stock down below \$26, but it is now drifting higher again and trades near \$27.50 at the time of writing.

A run to \$60 wouldn't be a surprise over the next two or three years. The stimulus money being invested around the world is unprecedented and consumers in rich countries are spending pandemic savings on copper-heavy products, including appliances and vehicles.

Teck Resources has a large copper expansion project underway in Chile that is now 50% complete. Once the project moves to production, the added output should drive revenue growth.

Teck is a cash flow machine when coal, copper, and rally of zinc prices. While the stock has enjoyed nice gains from the [market crash](#), the share price still looks cheap.

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