



Teck Resources Attracts More Call Purchases

Ticker/Price: TECK (\$24.50)

Analysis:

Teck Resources (TECK) with buyers of more than 3,500 May \$25 calls today up around \$1 and follows 5,000 of the May \$24 calls bought on Friday at \$1.85 into earnings next week. TECK has 5,000 January \$22 short puts in OI as well from last year providing support back near the March lows. Shares have been strong recently back above its key moving averages and out of a wide range at \$24 which targets \$28 on a move higher. On a weekly basis, shares cleared a downtrend from the 2018 highs around \$30 with RSI and MACD both with plenty of room to run. The \$13.9B company trades 10X earnings, 1.5X sales, and 7.88X FCF with a small yield and short interest around 1.25%. TECK is benefitting from record production out of their steelmaking coal operations with efficiency improvements driving their highest annual profit in 2018. They are also benefitting from a bounce back in zinc prices, up around 30% since September. The higher realized spot is allowing them to sign higher processing fees including an April agreement up 67% Y/Y after a 15% drop last year. TECK held an investor day in early April where they updated plans for expansion with 30-55mt/year of restarts and new projects in line by 2024. They didn't update plans on capital return which but there has been talk of a special dividend which would need board review and agreement with their JV partner Sumimoto. Analysts have an average target for shares of \$30 with 13 buy ratings and 2 hold ratings. Hedge Fund ownership fell 4% last quarter. ArrowStreet a buyer of 8.5M shares. MKM positive on 4/4 noting that their coking coal operations are performing well in a continued strong commodity environment and offers the best reserve life in their coverage. They also note that TECK's coking coal assets are "FCF generating machines" over the intermediate to long-term supporting their strong financial position.

Hawk Vision:



Trading Strategy: TECK is one of the healthier commodity names, I generally avoid the metals group, but this is a quality one, extended short-term, but one to target back near \$24.

Confidence Ranking: \$\$