



Global Mining Investment Strategy

1. Investment Summary

Continue to recommend a strategic asset allocation investment policy overweight for the global large cap metals and mining sector for the ongoing economic recovery. Buy on sector price weakness. Since the 2016 price lows, the mining companies have restructured, they have greater capital discipline and are focused on mega-projects. Global inventories have fallen and the higher prices for key commodities will result in rising cash flow improvements and the reinstatement of long-term dividend returns.

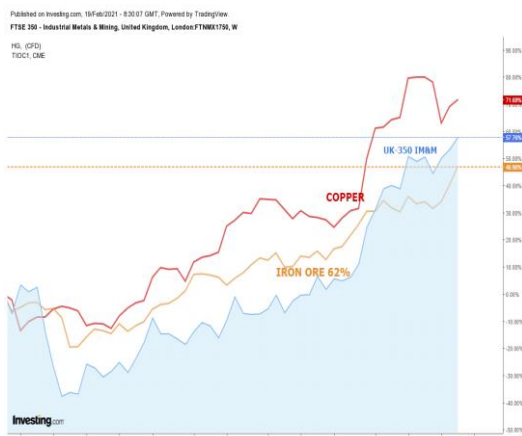
The pricing for economically sensitive commodities like copper and 62% beneficiated iron ore have gained from the supply side disruptions of the Covid19 pandemic. The price of copper is up 85% y.o.y and iron ore rinsing by 50%+. Both metals are primary commodities for the demand side and imports are led by China/Asia/India whose economies continue to grow with the build out of their domestic infrastructure, housing needs and particularly the new EV industry which requires greater usage of copper, nickel cobalt etc. China remains the largest importer of global industrial metals like copper and iron ore. Copper is a leading industrial barometer for China’s and global economic growth. The Biden administration will upgrade and spend on the aging US economic infrastructure which will increase demand for key metals like copper, iron ore, nickel for steel etc.

Copper was as low as \$2.07p/lb. last February and currently at \$3.95p/lb. with a year-end target of \$4.50 p/lb. and the likelihood that it may exceed the Feb 2011 high at \$4.63 p/lb. Copper has traded above the \$4plb. level in 2005 and 2008. The inventory shortages and price trend suggest to expect a price spike to \$4.65p/lb. Post Covid-19, more supply will come on stream to meet growing demand from infrastructure, housing, the auto-industry etc.

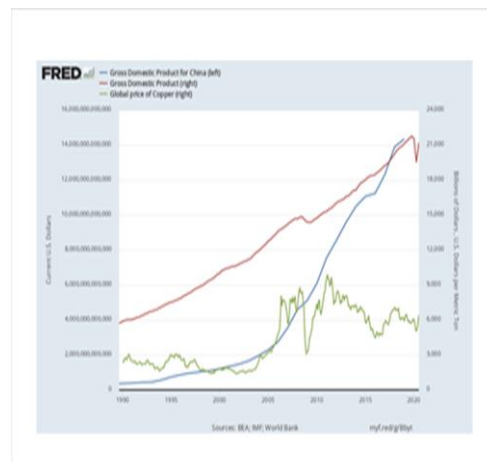
COMEX copper inventory drawdowns as of mid-February 2021 are at 66.7metric tons vs. 183 metric tons last October and supply constraints remain as China imports are strong due to loose global fiscal and monetary liquidity policies, a weak US dollar, and optimism over the end of the Covid19 pandemic. The sharp price rise and substantial decline in inventories remains a significant sign of robust copper/non-ferrous metal and iron ore demand.

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UK-350 Industrial Metals & Mining



US/CHINA GDP \$T vs. Copper



Long mine life operations and high-quality metal ore bodies increase the likelihood of mining companies benefiting from several high points in the commodity price cycle, with rising cash flows and potential mergers for operational scale. Glencore/Anglo American or Rio/Freeport McMorran?

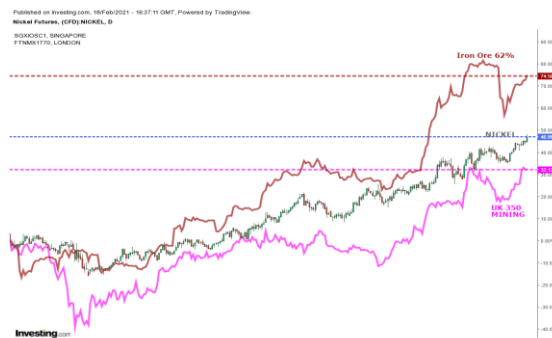
The copper price has led the base metals y.o.y. and since March 2020 nickel, cobalt, zinc, aluminum, lead, and other essential economic commodity prices are substantially higher.

Non-Ferrous Metals, Iron Ore and Nickel

Non-Ferrous Metals



Iron ore & Nickel



Recommendations

Name	Ind Grp Name	SubInd	Mkt Val, USD (Mil)	Cur Price	12 Month Price Target	P/E Ratio, Lst Rptd Yr	Div Yld, Indicate d	Fiscal Yr Est % Chg, Cur Yr	EPS Est, Lst Rptd	Price/Bk Val, Lst Rptd Yr	Bk Val Per Shr, Lst Rptd Yr
Rio Tinto	Mining-Metal Ores	Copper/Iron Ore/Aluminium	107,731	6,235.00	8000p	12	6.4%	0.8%	2.42	2.4	18.89
Vale Sa Adr	Mining-Metal Ores	Iron Ore/Pellets/Base Meta	92,031	17.94	\$24		3.5%	523.3%	0.69	1.7	7.81
Bhp Gp	Mining-Metal Ores	Copper/Iron Ore	65,686	2,244.50	2800p	13	3.6%	0.5%		2.2	7.67
Glencore	Energy-Coal	Copper/Cobalt/Zinc/Nickel	53,209	288.20	450p		3.0%	3.3%			
Anglo American	Mining-Metal Ores	Iron Ore/Copper/Nickel	52,498	2,779.50	3100p	10	3.2%	0.5%		1.4	15.07
Freeport McMoRan Inc	Mining-Metal Ores	Copper/Moly	49,919	34.36	\$37	47	0.6%	303.7%	0.39	2.0	6.41
Antofagasta	Mining-Metal Ores	Copper	23,420	1,714.50	2100p	23	1.4%	0.8%		1.6	5.65
Kaz Minerals	Mining-Metal Ores	Copper	5,392	823.60	MBO/780p	6	1.8%	0.3%		1.6	3.38
Ferrexpo	Mining-Metal Ores	Iron Ore/Pellets	2,772	337.60	410p	3	4.9%	51%		0.9	2.23

Summary:

- Copper ranks third in the world consumption of industrial metals, after iron and aluminium and Asian economies account for 60 percent plus of all copper use.
- China imports 56% of global refined copper consumption, with Chile as the world's largest producer at 6Mt in 2019 and likely to be 40% of global production in 2021, with 35%+ exported to China. Total global copper production is at 22 MT annually.
- The copper, base metals and iron ore price rally is driven by demand and supply constraints.
- Copper and other key metal inventories have fallen sharply in the past twelve months.
- Commodity price inflation will remain until there is a supply balance restored.
- Industrial, auto/EV, infrastructure building will support the copper price to new highs.
- EV makers will require a large quantum of copper and nickel which is cheaper than cobalt and critical for battery and mass energy storage.
- Global copper demand this decade will rise by 4 million tonnes and once EV's are ubiquitous, demand may exceed 11 Mil tonnes of new copper without other demand factors.
- Copper end-uses include electrical applications at 60%, construction at 24%, transportation at 8% and growing.
- Conventional cars have 22lbs of copper, hybrid EV's use 85lbs, plug hybrid electric vehicles require 130lbs and in mass transportation hybrid electric buses contains 194lbs.
- The average family home uses 420lbs of copper
- Some caution over China's growth and early normalisation of monetary policy will impact refined and metal ore commodity demand later in 2021/2. The rising value of sterling will affect the UK listed company earnings.

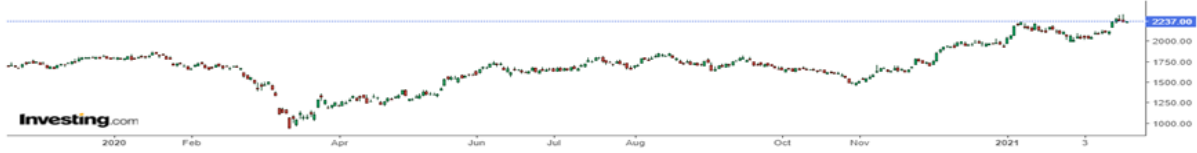


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BHP Group PLC, United Kingdom, London:BHPB, D

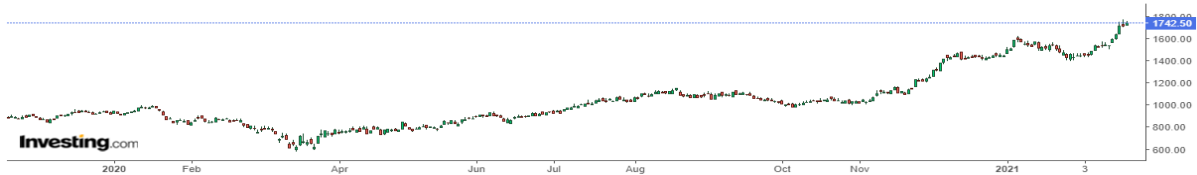


Anglo American PLC, United Kingdom, London:AAL, D



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Antofagasta PLC, United Kingdom, London:ANTO, D



Glenore PLC, United Kingdom, London:GLEN, D



Freeport-McMoran Copper & Gold Inc, United States, NYSE:FCX, D



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Vale SA ADR, United States, NYSE:VALE, D



Ferrexpo PLC, United Kingdom, London:FXPO, D



KAZ Minerals PLC, United Kingdom, London:KAZ, D

