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Todays Market View - Copper and other metals rise despite trade caution

SP Angel - Morning View - Monday 19 11 18

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Amur Minerals* (LON:AMC) - Strategic plan

Cradle Arc PLC (LON:CRA) - \$4m working capital facility

Georgian Mining* (LON:GEO) - STRONG BUY - Directors buy stock as company awaits permit approval in Georgia

redT energy plc (LON:RED) - 1MWh vanadium flow / lithium-ion hybrid battery goes live

Vast Resources (LON:VAST) - 4,000m drilling programme at Zagra launched

Ferro-Vanadium prices continue to creep ahead in Europe

- Ferro-vanadium prices rose 1.5% to US\$126-128/kgV in Western Europe on Friday (Fastmarkets MB)
- Prices in the US rose 2.7% to US\$55.5-57/lb (US\$122-125.7kgV) on Thursday (Fastmarkets MB)
- Bloomberg are quoting ferro-vanadium prices down a dollar to \$136.5/kgV, courtesy of Asian Metal Inc. highlighting differences in price collection by differing agencies
- Prices have been driven higher as global steel producers compete for vanadium supply in a market which is severely depleted by environmental restrictions on Chinese stone coal and vanadium slag production.
- At the same time, new regulations requiring higher vanadium content for Grade 3 steel in China and the effective removal of Quench and Tempered 'Q&T' steel from the market has created substantial significant new demand.
- Substitution has driven Ferro-niobium prices significantly higher but this is a small and relatively specialised market and is not able to make up the shortfall for a number of reasons.
- We can not see how current production is going to supply the market we wonder if there may have to be some easing of environmental restrictions to if China is to avert an outright shortage.

Oil price - pullback in oil prices provides relief for miners

- Oil prices which recently peaked at \$85/bbl have pulled back to \$67.3/bbl.
- The move helps to hold back cost inflation for mining companies where energy often accounts for a third of total cash costs.
- Many miners continue to work on more sustainable and lower cost power supply initiatives, such as hydropower and solar and grid supply where possible.

- Problem is you just can't replace the fuel for a 300t diesel-electric dump truck with chip oil and a bit of wind power.

Volkswagen targets \$50bn electric car 'offensive'

- The Germany major automotive manufacturer is spending billions on refocusing the company on electric cars, autonomous vehicles and new mobility services. Volkswagen has plans to offer 44bn euros investment to target the market by 2023 in what CEO Herbert Diess describes as an 'electric offensive', including an imminent partnership with US carmaker Ford Motor.
- Collaboration is viewed as a path to significant savings on research and development, while at the same time delivering boost to revenues for a range of light commercial vehicles.
- Ford makes about 40% of all full-size pickups sold in the US, while VW sells almost 15% of the vehicles purchased in China, the world's largest auto market.
- Collaborative work builds on the drive to convert three of its plants to electric manufacture, ramping up production of zero-local emissions cars ahead of tougher European emissions standards.
- VW are hoping to capture a large portion of the growing electric car market in Europe, with the Fraunhofer Institute of Industrial Engineering calculating a quarter of all vehicles in Germany to be fully electric by 2030. Another 15% is expected to be hybrid.
- Growth in the requirement for raw materials is significant, with BMW forecasting a 10-fold growth by 2025, adding it has been surprised by "just how quickly demand will accelerate". BMW plans to offer 25 electrified vehicles by 2025, with a strong preference towards nickel-magnesium-cobalt batteries.

Dow Jones Industrials

+0.49%

at

25,413

Nikkei 225

+0.65%

at

21,821

HK Hang Seng

+0.72%

at

26,372

Shanghai Composite

+0.91%

at

2,704

FTSE 350 Mining

+0.89%

at

17,368

AIM Basic Resources

+0.50%

at

2,173

Economics

US - Markets will be closely watching the coming meeting between the US and Chinese leaders during G20 meetings starting next week in Argentine (Nov 30 - Dec 1).

- The nation celebrates Thanksgiving on Thursday followed by Black Friday the next day marking the start to the US holiday shopping season.
- On a separate note, Capital Economics highlighted the potential inflation dampening effect of falling oil prices in the note released last week which may alter the pace of future rate hikes.
- "the collapse in crude oil prices over the past month has radically altered the outlook for headline consumer price inflation over the next 12 months... the stronger dollar will only add to the disinflationary pressure," Capital Economics wrote.
- "In short, there is little risk of core inflation continuing to rise further above target... the bigger risk is that, in response to the stronger dollar and the muted pace of unit labour cost growth, it could drop back a little in the first half of next year (making us a little more confident that the fed funds rate will peak at 2.75-3.00% in mid-2019."
- Core CPI held above 2% target for most of the year so far with latest numbers for October released last week putting index change at 2.1%yoy.

UK - Property asking price recorded the first annual decline since 2011 led by declines in London and the high-end of the market.

- Prices dropped 1.7%mom and 0.2%yoy in November, according to the Rightmove data.
- "Stretched buyer affordability and the cooling markets in the south and in upper price brackets have combined with the ongoing political uncertainty to change pricing optimism into pricing realism," Rightmove said.
- In Greater London, prices were down 2.4%yoy to £614,271 with Zone 1 properties recording a 6.9%yoy decline (av price £1.3.m).
- The pound is slightly stronger (+.30% 1.2874) as Theresa May prepared to appeal to business leaders to gather

support for the latest Brexit deal prepared by the government.

Currencies

US\$1.1418/eur vs 1.1357/eur last week. Yen 112.83/\$ vs 113.30/\$. SA\$ 13.947/\$ vs 14.182/\$. \$1.287/gbp vs \$1.282/gbp. 0.732/aud vs 0.728/aud. CNY 6.943/\$ vs 6.948/\$.

Commodity News

Precious metals:

Gold US\$1,220/oz vs US\$1,218/oz last week

Gold ETFs 68.7moz vs US\$68.7moz last week

Platinum US\$847/oz vs US\$844/oz last week

Palladium US\$1,184/oz vs US\$1,164/oz last week - China's fight against smog drives palladium to record highs

- Pollution-limiting catalytic converter demand in China is boosting palladium consumption, drawing prices 9% higher this year. The Asian nation is on a mission to reduce smog emissions, with tougher standards meaning car makers are using more of the commodity.
- Global palladium production is falling short of the robust demand, with Citigroup Inc. projecting further price gains. Hedge funds are also wagering on an extended rally, with the biggest long positive bet on the metal since early March.
- "The market has a very positive fundamental outlook. We've been dealing with supply deficits going on eight years, and that's expected to continue. Supply's certainly been an issue on the mining front as well as the draw-down of existing stockpiles", according to director of investment strategy at Aberdeen Standard Investments.
- Almost 70% demand comes from the auto industry, will strong car sales helping to insulate prices from faltering global growth hampering many industrial commodities.
- While the metal is at threat of substitution from its sister metal, platinum, manufacturers need 18-24 months for changes to take place, protecting near-term demand.
- In terms of substitution, "many manufacturers have indicated that it's not something that can be switched easily or quickly, even though is economically possible," precious metals analyst at Standard Chartered Bank said. "The longer-term outlook remains positive and price risks are skewed to the upside."

Silver US\$14.42/oz vs US\$14.34/oz last week - Ultra-efficient solar cells rely on silver

- Researchers at Ruhr-Universität Bochum and the University of Wuppertal in Germany have designed a new fabrication process for transparent ultra-thin silver films capable of increasing the efficiency of solar cells and light-emitting diodes.
- Traditional chemical methods lack the ultra-thin manufacturing of high-purity silver films due to the highly sensitive nature of precursors to air and light. The newly developed synthesis creates a silver surrounded by an amide and carbene precursor which is stable without the need for further chemicals.
- The group demonstrated a silver thin film can be applied to an electrode with the new precursor by atomic layer deposition to create a film of a few atoms thick, creating a film pure and electrically conductive.
- "The successful synthesis of the new precursor paves the way for the development of ultra-thin silver films. It constitutes a first step towards the production of novel electrodes for highly efficient solar cells and lights", according to the Chair of Electronic Devices.

Base metals:

Copper US\$ 6,249/t vs US\$6,189/t last week - Copper remains unchanged as investors face mixed Sino-US trade signals

- London copper trades in a narrow range as ongoing tensions between Washington and Beijing renewed at a regional summit, weighing down prices despite market support from tightening supplies.
- US-China trade tensions were clearly on display at an Asia Pacific economic summit in Papua New Guinea, where leaders failed to agree on a communique.
- Growing concerns the trade issues will cause economic growth to falter on industrial demand masked headline copper inventories in LME-registered warehouses falling near last month's 10-year low as 5,425t are removed to 161,025t.

Aluminium US\$ 1,950/t vs US\$1,939/t last week

Nickel US\$ 11,285/t vs US\$11,350/t last week

Zinc US\$ 2,642/t vs US\$2,569/t last week

Lead US\$ 2,010/t vs US\$1,949/t last week

Tin US\$ 19,450/t vs US\$19,375/t last week

Energy:

Oil US\$67.3/bbl vs US\$67.6/bbl last week

Natural Gas US\$4.547/mmbtu vs US\$4.051/mmbtu last week

Uranium US\$29.15/lb vs US\$29.15/lb last week

Bulk:

Iron ore 62% Fe spot (cfr Tianjin) US\$71.9/t vs US\$71.4/t - Iraq Resumes Oil Exports From Kirkuk

- Under pressure from Washington, Iraq has restarted exports of oil from Kirkuk that were halted a year ago due to a standoff between the central government and Iraq's Kurdish semiautonomous region.
- U.S. State Department spokeswoman Heather Nauert said on Twitter on Saturday that the resumption of exports of Kirkuk oil was "another important step in our efforts to reduce Iran's oil exports."
- Washington granted Baghdad a 45-day waiver from the sanctions as long as it came up with a plan to wean itself off of Iranian-imported gas and electricity.

Chinese steel rebar 25mm US\$670.4/t vs US\$670.0/t - prices continue to fall as weak domestic demand causes buyers to wait for lower prices

- Rebar prices in China fell a further 1.6% last week to ~\$US\$615/t as investors take a more cautious view of ongoing growth.
- Traders are concerned at the potential for oversupply as the Chinese authorities adopt a more flexible approach towards winter restrictions in key steel producing regions
- Trade tensions continue as the Asian leaders Summit failed to produce a joint communication. A first for the group.

Thermal coal (1st year forward cif ARA) US\$85.0/t vs US\$88.3/t

Coking coal futures Dalian Exchange US\$197.0/t vs US\$196.9/t

Other:

Cobalt LME 3m US\$55,000/t vs US\$55,000/t

China NdPr Rare Earth Oxide US\$45,513/t vs US\$45,482/t

China Lithium carbonate 99% US\$10,082/t vs US\$10,075/t

Tungsten APT European US\$275-295/mtu vs US\$275-295/mtu

Battery New

Structural batteries for EVs

- Researchers at Sweden's Chalmers University of Technology have been exploring the possibility of using carbon fibre as a structural battery.
- The team has studied the relationship between carbon fibre's microstructure and electrochemical capacity, and is working to develop a combination that is both mechanically sound and energy-dense.
- The team has discovered that carbon fibre's electrical and mechanical properties can be controlled by carefully rearranging its graphitic order and crystallite sites.
- The team is now experimenting with ways to increase the composite thickness in order to overcome the mechanical challenges while boosting total energy storage capacity.

VW pledges to spend €44bn on new technologies

- Volkswagen has pledged to spend €44bn on technologies for electric cars, autonomous driving and new mobility services over the next five years.
- The €44bn, one-third of total expenditure in the next half-decade, compares with a pledge last year to spend €34bn on future technologies.
- Herbert Diess, chief executive of the world's largest carmaker, said €30bn of the money will be spent on electric vehicles.

Company News

Amur Minerals* (LON:AMC) 3.6p, Mkt Cap £24.2m - Strategic plan

- The Company laid out the Kun Manie strategic plan highlighting project development milestones.
- The plan includes four primary areas:
 - Engineering - development of Kun Manie project to BFS
 - Off-site infrastructure - continue off-mine site development related to the necessary access road, rail station and transport considerations
 - Engagement of strategic partner(s) - the team continues to seek and engage with interested parties including established mining, smelting and commodity trading firms as well as private equity, sovereign and institutional investors regarding a potential Kun Manie funding/partnership(s).

- Phased funding - a phased funding approach intended to cover potential, partner-specific terms and conditions and project engineering, procurement, and construction management considerations; in the near term the Company is focussed on maintaining a strong financial position while continuing to advance the project up the mining value curve.

*SP Angel act as Nomad and Broker to Amur Minerals

Cradle Arc Plc (LON:CRA) 0.8p, mkt cap £2.7m - \$4m working capital facility

- Cradle Arc has confirmed the conditional agreement of a US\$4m working capital facility to its 60% owned subsidiary, Leboam Holdings which operates the Mowana copper mine in Botswana.
- The previously announced loan from Fujax Minerals and Energy, which has an offtake agreement for production at Mowana, attracts interest at 13.5% pa over a 24 month period with a six months payment holiday starting from April 2019.
- Fujax also acquires the right to an additional 80,000t of concentrate offtake for each \$1m drawn down on the loan to a maximum of 320,000t as well as a 3.75% net-smelter-royalty
- The company takes the opportunity to provide an operating update where production of 140t of contained copper during October fell short of the management original forecast of 392t. where continuing intermittent breakdowns and the impact of water shortages resulting from severe drought conditions.
- Despite the underperformance in October, the company points to a number of encouraging developments including its expectation of, "stable production ... for the remainder of the quarter". As well as the news that with a planned re-lining of the mill in late November expected to deliver nameplate capacity of 155tph "Mill availability is improving and the final concentrate grade achieved throughout Q4 to date has been above forecast levels".
- Mining operations are focussed on waste removal "in order to increase space in the open pit"
- CEO, Kevin van Wouw, commented that "he implementation of the previously announced key improvement and rehabilitation works at the processing plant has now largely been completed, with the main outstanding items being a full reline of the mill and continued rehabilitation of the water supply boreholes from the wellfield 7km from the mine. Accordingly, with the ores available for processing and operations at Mowana on a more stable footing, we expect steady improvement in performance of the project over the coming months."
- Mr. van Wouw also recognised the support of Fujax as a "vote of confidence in the Mowana operations" and pointed out that "Fujax has partnered and supported Cradle since the acquisition of Mowana as both funder to and off-taker of mine concentrate and is intimate with the mine operations and the opportunity the mine brings to the company and its shareholders."
- Conclusion: The working capital facility should provide Mowana with the financial capacity to address the operational difficulties at Mowana. The company points to signs of operational improvements and optimism that the worst may be behind it as it moves towards minimising operational disruptions and establishing stable plant performance

Georgian Mining* (LON:GEO) 6.7p, Mkt Cap £7.6m - Directors buy stock as company awaits permit approval in Georgia

(Georgian's assets in Georgia are held in a 50:50 joint venture)

STRONG BUY

- Michael Struthers, CEO, Greg Kuenzel, FD, Neil O'Brien, Non-Exec Chairman, Mr Laurence Mutch, NED and Peter Damouni, NED have all bought shares in the company.
- The purchase of 1.22m new shares by the board at 6.5p/s highlights the board's confidence in the prospects for the company.
- The team are waiting for government officials to complete license approvals before they press ahead with further exploration and drilling on the Kverno Bolnisi and other exploration properties in the region.
- The team have a 3-5mt ore resource target with a gold oxide cap overlying a copper resource in the East of

Georgia relatively close to the boarder with Azerbaijan.

- The hill at Kvemo Bolnisi lie close to the Madneuli mining operations which continue to process both copper and gold oxides ores.
- Mining could utilise the existing gold heap leach facilities which can be seen from the hill at Kvemo Bolnisi as well as potentially the copper flotation plant at Madneuli though this could require significant refurbishment.
- Drilling to-date indicates a substantial tonnage of brecciated and broken rock at Kvemo Bolnisi with assays confirming relatively good grades of copper in Chalcocite, chalcite and sulphides.
- A gold oxide cap of weathered and relatively soft material appears to host economic grades for heap leach processing with gold recoveries of >90%
- The topography indicates a very low strip ratio and low crushing costs as the rock is so highly weathered and brecciated.
- The sudden dissolution and eventual reformation of the government in Georgia has delayed the reissuance of permits required for drilling and further exploration of the Kvemo Bolnisi site and other licenses.
- Comments from government officials indicate the permits may be received soon.

Conclusion: The directors of Georgian Mining are working on how to progress the Kvemo Bolnisi project. While this is delayed pending permits there is much that can be done to plan for future developments.

*SP Angel acts as Nomad and Broker to Georgian Mining.

redT energy plc (LON:RED) 6.4p, Mkt Cap £50m - 1MWh vanadium flow / lithium-ion hybrid battery goes live

- redT energy plc report that their 1MWh vanadium flow / lithium-ion hybrid battery has gone live at Monash University in Australia.
- The battery system has 900kWh of vanadium storage capacity using 12 tank units of vanadium running alongside a 120kWh C1 rated lithium battery.
- The system is designed to work with 1MW of solar panels and Electric Vehicle charging stations as part of a Net Zero initiative.
- It will be interesting to know the cost of the vanadium in the flow battery at current vanadium price levels.

Vast Resources (LON:VAST) 0.48p, Mkt Cap £27.8m - 4,000m drilling programme at Zagra launched

- The Company is launching a 4,000 diamond drilling programme at the Magura Neagra (21km²) and Piciorul Zimbrului (10km²) prospecting licenses (collectively Zagra, 90% VAST interest) in northern Romania.
- Historical Zagra exploration target estimates (non-JORC) prepared by the Romanian state exploration company (IPEG Cluj) suggested the area may host 3,000mt at grade ranging between 0.4-0.8% Cu and 0.3-0.5g/t Au (all within the Magura Neagra).
- First round of 2,000m drilling at Magura Neagra will focus on five previously identified veins.
- Exploration carried by IPEJ Cluj between 1986 and 1993 delineated five polymetallic veins ranging 0.3-5.0m in widths while underground drive intersected a 800m long zone of disseminated sulphide mineralisation.
- The team is suggesting the area may be hosting a significant copper porphyry system together with mineralised veins containing gold, silver, molybdenum, lead and zinc.
- 2,000m is planned at Piciorul Zimbrului targeting six polymetallic veins.
- The area has been subject to exploration works completed IPEG Cluj in the past including 1,200m of underground development and drilling as well as 862m of surface drilling and geological mapping over 4km².
- The work identified six gold and copper bearing veins along the 820m underground drive at +835m amsl; additionally, two veins hosting gold, silver and antimony mineralisation have been encountered at an elevation +950m amsl.
- Licenses are adjacent to one another and are located some 110km away from the operating Manaila polymetallic mine.

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