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Today's Market View - Equities climb as China suggested no further retaliation against the US

SP Angel - Morning View - Friday 30 08 19

Equities climb as China suggested no further retaliation against the US

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Altus Strategies* (LON:ALS) - Quarterly update

Premier African Minerals* (LON:PREM) - Clarification on Circum Minerals

URU Metals* (LON:URU) - Progress report on Zebediela permitting

Dow Jones Industrials

+1.25%

at

26,362

Nikkei 225

+1.19%

at

20,704

HK Hang Seng

-0.35%

at

25,613

Shanghai Composite

-0.16%

Price: 168.79

Market Cap: \$97.06 billion

1 Year Share Price Graph



Share Information

Code: MMM

Listing: NYSE

52 week **High** **Low**
219.74 150.6

Sector: Business & education services

Website: phx.corporate-ir.net

Company Synopsis:

3M is a diversified technology company with worldwide exposure to the health care, safety, industrial, telecommunications, electronics, security and protection services and transportation markets.

action@proactiveinvestors.com

at

2,886

FTSE 350 Mining

+0.55%

at

17,661

AIM Basic Resources

+1.29%

at

2,249

Economics

US - US prosecutors probe Huawei following new allegations of technology theft.

US prosecutors are looking into further instances of alleged technology theft by Chinese tech giant Huawei, per reports (WSJ).

Huawei has already been indicted by US law enforcement earlier this year for similar allegations, though this new report suggests the extent of theft by the company may be greater than previously thought.

Any new investigation into Huawei by US prosecutors may prove a setback to efforts to bring the US and China to the negotiating table over the escalating US-China trade war.

8 in 10 US companies with business in China say trade war affecting operations.

Of 100 businesses polled in a new survey conducted by the US-China Business Council, a third said tariffs had cost them sales, with half identified the trade war as their top threat (The Hill).

81% of businesses responded 'yes' when asked "Has your company's business with China been affected by US-China trade tensions?"

The new data highlights the growing importance of a resolution to the trade war for business between the world's two largest economies.

Data collected by two Chinese banks suggest somewhere between 1 and 2 million jobs in China's industrial sector could have been impacted by the trade war.

Markets remain hopeful of a resolution to tensions as Trump stated in an interview with Fox News yesterday that talks with China were taking place at a "different level".

China - China's Commerce Ministry said the nation will not immediately retaliate against the latest US tariff increase.

Italy - Conte vows new cooperation with EU.

Italian PM Giuseppe Conte has vowed greater budget discipline and closer ties with the EU after being invited to form a new government by President Sergio Mattarella (FT).

A new ruling coalition of the Five Star and Democratic parties would stave off the far-right League party, and draw relief from investors who have grown weary of Italian antagonism towards the EU.

Italy's 10-year bond yield fell to their lowest level in two decades, while the FTSE Mib index of Italian shares rose 1.9% as investors welcome an easing of tension and rollback of populist politics.

Greater budget discipline is essential to avert EU censure, a point of concern closely watched over the last year.

Hong Kong - Anti-government march cancelled as protest leaders arrested.

Three key HK protest leaders have been arrested, and two have been charged with inciting participation in an unauthorised assembly (Guardian).

The arrests were made on the eve of another round of mass protests organised for this weekend, meant to mark the anniversary of the beginning of the so-called 'Umbrella Movement' of protests in 2014.

Those protests have now been cancelled, following both the arrests and an unsuccessful appeal to receive state sanction.

HK's Civil Human Rights Front said in a statement that they will continue to apply for the "human right" to protest, but would not go ahead with unauthorised marches to protect participants from potential legal backlash.

Saudi Arabia - State-owned Aramco considering split listing: London, Hong Kong markets snubbed.

Saudi Arabian state-owned oil company Aramco is considering a two-stage IPO, offering one portion of its shares on the Saudi stock exchange, and later following up with an international offering (WSJ).

The oil giant is leaning towards Tokyo for an international offering, snubbing major markets in London and HK on account of rising political and economic uncertainty, per reports.

A New York listing also appears to be off the cards, due in part to the risk of litigation both as a result of US laws on compensation to victims of terrorism, targeting state sponsors, and antitrust laws opposed to OPEC.

Speculation over an Aramco IPO has a turbulent recent history, following plans to list in 2018 that were aborted following complications including the murder of journalist Jamal Khashoggi late last year.

No final decisions over the location, timing or valuation of a possible IPO have been made.

Argentina - S&P rating cut following unilateral extension of bond maturity.

S&P Global Ratings cut Argentina's credit rating yesterday, following the government's unilateral decision to delay payment on approx. \$101bn of debt (Bloomberg).

The extension of short-term debt maturity "constitutes default" under S&P's criteria.

The Argentine government is also seeking the "reprofiling" of as much as 50bn of longer-term debt, as well as new dialogue over the repayment of \$44bn it has received from the IMF.

Argentina's rating downgrades come on the back of opposition leader Alberto Fernandez's strong showing in an August 11th primary vote.

Morgan Stanley estimate Argentina may need nearly \$13bn for repayments on Treasury bills and bonds by the end of the year, in the face of contracting foreign exchange reserves. Most of those repayments have now been delayed.

Currencies

US\$1.1036/eur vs 1.1079/eur yesterday. Yen 106.40/\$ vs 105.99/\$. SAR 15.278/\$ vs 15.428/\$. \$1.217/gbp vs \$1.219/gbp. 0.671/aud vs 0.673/aud. CNY 7.151/\$ vs 7.165/\$.

Commodity News

Precious metals:

Gold US\$1,528/oz vs US\$1,546/oz yesterday

Gold ETFs 78.9moz vs US\$78.8moz yesterday

Platinum US\$926/oz vs US\$912/oz yesterday

Palladium US\$1,487/oz vs US\$1,480/oz yesterday

Silver US\$18.34/oz vs US\$18.59/oz yesterday

Base metals:

Copper US\$ 5,703/t vs US\$5,673/t yesterday

Aluminium US\$ 1,753/t vs US\$1,745/t yesterday

Nickel US\$ 16,630/t vs US\$16,175/t yesterday

Zinc US\$ 2,259/t vs US\$2,263/t yesterday

Lead US\$ 2,043/t vs US\$2,063/t yesterday

Tin US\$ 15,795/t vs US\$15,720/t yesterday

Energy:

Oil US\$60.9/bbl vs US\$60.1/bbl yesterday

Natural Gas US\$2.284/mmbtu vs US\$2.228/mmbtu yesterday

Uranium US\$25.30/lb vs US\$25.30/lb yesterday

Bulk:

Iron ore 62% Fe spot (cfr Tianjin) US\$81.5/t vs US\$81.5/t

Chinese steel rebar 25mm US\$538.7/t vs US\$537.3/t

Thermal coal (1st year forward cif ARA) US\$64.3/t vs US\$63.0/t

Coking coal futures Dalian Exchange US\$200.8/t vs US\$196.4/t

Other:

Cobalt LME 3m US\$32,600/t vs US\$32,600/t

NdPr Rare Earth Oxide (China) US\$44,405/t vs US\$44,310/t

Lithium carbonate 99% (China) US\$7,273/t vs US\$7,397/t

Ferro Vanadium 80% FOB (China) US\$38.5/kg vs US\$38.5/kg

Antimony Trioxide 99.5% EU (China) US\$5.2/kg vs US\$5.2/kg

Tungsten APT European US\$198-205/mtu vs US\$210-225/mtu

Battery News

Nickel battery metal production needs price spur

Accelerating use of nickel in batteries powering electric vehicles is drawing higher prices to incentivise the development of new projects to boost fundamental supplies.

Demand for the battery metal is expected to soar as governments, companies and individual consumers aim to cut the noxious fumes emitted by fossil-fuelled vehicles.

Consultancy Roskill estimates most new greenfield nickel projects would need prices at least \$22,000/t, although this could be impacted by by-product credits for individual projects.

Currently, prices are hovering in the upper \$15,000/t on the London Metal Exchange.

Jack Anderson adds "nickel has been dominated by the stainless steel industry, which uses the lowest-cost, low-grade material coming from Indonesia and the Philippines."

Stainless accounts for about 70% of global nickel demand estimated at 2.4mt in 2019, while batteries' share was about 4%.

Rising battery demand is generated not only from higher volumes of manufacturing but also more nickel-dense chemistries.

NMC (nickel-manganese-cobalt) formations are climbing to 5-2-3 and 6-2-2, with forecasts for cathodes with 80% nickel expected to dominate within years as technology removes cobalt.

"Depending on the adoption of 8-1-1 technology, the amount of nickel per car could on average go from 20 kg to between 40 and 50 kg by 2025," said Jim Lennon, managing director at Red Door Research.

Increasing auto sales is forecast to draw demand from the sector to 258,000t or nearly 10% of the total market in 2022, with the expected price parity between the costs of making battery and ICE-powered cars.

Roskill sees batteries' share at 20% of global nickel demand totalling 3.69mt by 2030, while stainless steel mills will account for 60%.

However, the deficits that have recently characterised the market could disappear for a couple of years as new projects in Indonesia start to produce nickel that can easily be turned into battery chemicals.

Lynas Corp annual profits surge amid record rare earth production

Australian rare earths miner Lynas Corp posted 50% surge in annual profit as production of rare earths climbs to record levels, occurring principally from growth outside China.

The largest rare earth producer outside of China report profit after tax of A\$80m (\$54m) for the year end June 30.

The company also report it was stockpiling fundamental NdPr used in industrial magnets for "strategic customers", as growing concerns since May that China may use its dominant position in the supply of rare earths as a tool in its trade war with the United States.

Indeed, the US Department of Defense is in talks with Australia to host a facility to process rare earth minerals.

"We're concerned about any fragility in the supply chain and especially where an adversary controls the supply," Ellen Lord, the Pentagon's under secretary of defence for acquisition and sustainment, told reporters at a Washington event.

The Australian miner said it produced 5,898t of NdPr over the year, up from 5,444t.

Rare Earth Oxide production came in as 19,737t, a jump from 17,753t.

Headline battery metals losing financing interest

Second quarter funding for cobalt and lithium juniors have dropped to the lowest point in more than two years, driven by short-term oversupply.

The Mining Intelligence Data Application reveals that in Q2 2019, drilling activities focused on exploration and resource evaluation of lithium and cobalt deposits, dropped to the lowest level in two years.

Number of completed drillholes dwindled by more than 50% from the peak reached during Q3 2018.

Capital raising indicator also suggests investors lost confidence in the battery metal sector.

In Q2 2019, capital raised on stock exchanges by lithium and cobalt players dropped sharply from the stunning \$801m raised in Q2 2018 to a record-low level of \$34m in Q2 2019.

Company News

Altus Strategies* (LON:ALS) 4.8p, Mkt Cap £8.5m - Quarterly update

In Q2/19, the team continued with early stage exploration at existing assets, secured new licenses as well as brought new JV partner for future exploration/development works.

Corben Resources, a private Australian entity, signed a royalty and JV Terms Sheet on Zolowo and Laboum gold projects in Liberia and Cameroon.

Resolute Mining JV on Pitiangoma Est in southern Mali has been extended by two years to 2021.

The team of geologists has begun exploration of the recently granted Zager license in northern Ethiopia, and continued to examine new project acquisition and license application opportunities.

Post reporting period, Altus signed a Term Sheet with TSX-V listed Desert Gold Ventures for the sale of and future royalty on Sebessoukoto Sud and Djelimangara gold projects in western Mali.

Additionally, the team signed a Term Sheet with Glomin Services for a JV on Lakanfla and Tabakorole gold projects located in western and southern Mali, respectively.

Loss from operations amounted to £0.9m during the first six months of the year (H1/18: -£0.9m).

Admin and exploration expenses accounted for £0.3m and £0.5m, respectively (H1/18: £0.5m admin, £0.3 exploration).

Main drivers for a change in exploration costs is related to assays, equipment rentals and maintenance, use of casual labour as well as transportation of geologists to site including fly-ins from UK to Africa.

Total loss for the period came in at £0.8m (H1/18: £1.0m).

Cash outflow in H1/19 of £0.8m was funded with the existing cash balances as well as a disposal of Canyon shares during the period (2.5m for £0.3m in proceeds).

Cash and marketable securities balance stood at £0.8m as of H1/19 (including £0.2m in cash); the group remained debt free.

Conclusion: The team expanded the portfolio of Africa based early stage exploration assets to 21 projects now diversified among gold/silver/copper/zinc/bauxite/iron ore licenses. Altus has been active both with on the ground exploration as well as sourcing other parties for potential JV and royalty agreements with the pace of the latter having recently accelerated with two Term Sheets signed in August alone.

*SP Angel acts as nomad and broker to Altus Strategies

Premier African Minerals* (LON:PREM) 0.032p, Mkt Cap £2.9m - Clarification on Circum Minerals

Premier African Minerals has clarified its strategy with respect to its holding of approximately 5m shares in the private company, Circum Minerals, which is working to develop the Danakil Potash Project in north-east Ethiopia.

The clarification comes in the light of an update from Circum Minerals which "indicated that the preferred route to a liquidity event remains the project development in association with its equity and debt funders. In line with previous disclosures, Circum expects clarity on the development route by the year end".

Provided that "the proceeds of the liquidity event is greater than US\$6,262,916 [the current carrying value] in respect of the Company's entire current holding in Circum", Premier African Minerals intends to call a shareholder meeting to approve the disposal of the company's interest in Circum Minerals.

In the event that the disposal is approved by shareholders, "Premier will first repay all existing debts and liabilities" and then offer shareholders the alternatives of a distribution of the residual proceeds as dividends or a share buy-back or allow the company to retain them for investment "into existing or new projects".

In August 2018, Circum Minerals announced that a new Definitive Feasibility Study on the Danakil Potash Project had "reduced the initial capital investment required from US\$2.3 billion to approximately US\$1.1 billion" for a project expected to produce SOP product using "low-risk solution mining combined with environmentally friendly solar evaporation to produce the raw salts, which will then be refined at site to minimize transport costs".

Conclusion: The possible disposal of its interest in Circum Minerals appears consistent with Premier African Minerals evolving strategy to focus on producing, cash generative assets in preference to development projects.

*SP Angel have an agreement with Premier African Minerals as a result of the acquisition of Northland Capital Partners

URU Metals* (LON:URU) 265p, Mkt Cap £2.1m - Progress report on Zebediela permitting

URU Metals has confirmed that South Africa's Department of Mineral Resources (DMR) has accepted the application by its local subsidiary, Lesego Platinum Uitloop (LPU), relating to the conversion of three prospecting rights comprising its Zebediela project into a Mining Right.

The application is now subject to public consultation and also discussion with the Department of Land Affairs "for any state-owned land and check for land claims and land restitution claims" before formal submission of the Application and accompanying documents, including details "in relation to the theoretical full funding of the mine" by a 4th October deadline.

The company will also "commence with environmental studies in order to obtain the requisite environmental authorisations that accompanies the Mining Right".

CEO, John Zorbas, explained that the DMR's acceptance of the mining right application advanced the project in three ways:

"by consolidating the 3 prospecting rights that made up the Zebediela Project into one right";

"securing the mineral tenure of the project for a further 30 years and lastly

advances the project one step closer towards development"

URU Metals "looks forward to receiving the mining right in due course subject to the satisfactory completion of all regulatory requirements by the Company" and when it is granted, it will "grant LPU the right to mine nickel and platinum group minerals (PGM's), chromite, cobalt, copper, gold, iron ore and vanadium for a period of 30 years".

Conclusion: We look forward to news of the completion of the consultation process and the formal submission of the Mining Right application for the Zebediela project to the DMR.

*SP Angel acts as Nomad and broker to URU Metals

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*SP Angel are the No1 integrated nomad and broker by number of mining brokerage clients on AIM according to the AIM Advisers Ranking Guide (joint brokerships excluded)

+SP Angel employees may have previously held, or currently hold, shares in the companies mentioned in this note.

Sources of commodity prices

Gold, Platinum, Palladium, Silver

BGNL (Bloomberg Generic Composite rate, London)

Gold ETFs, Steel

Bloomberg

Copper, Aluminium, Nickel, Zinc, Lead, Tin, Cobalt

LME

Oil Brent

ICE

Natural Gas, Uranium, Iron Ore

NYMEX

Thermal Coal

Bloomberg OTC Composite

Coking Coal

DCE

RRE

Steelhome

Lithium Carbonate, Ferro Vanadium, Antimony

Asian Metal

Tungsten

Metal Bulletin

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