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Today's Market View - Aura Energy Limited and Beowulf Mining

SP Angel . Morning View . Friday 08 11 19

Weak Chinese trade data highlights need for trade deal

Deutsche Bank - Collapse is Imminent (Zero Hedge & The Atlantis Report)

MiFID II exempt information - see disclaimer below

Aura Energy Limited* (LON:AURA) - Seeking compensation over Häggån uranium project

Beowulf Mining* (LON:BEM) - Beowulf continues to push ahead with further funds for legal advice in Sweden and flexibility at Vadar

China's rare earth* exports rise in October (Reuters)

Exports rebounded to 3,640t after sliding the previous month, according to customs data released on Friday.

This is a 1.9% increase from September and up 17.4% from a year earlier.

It was feared that China were going to limit rare earth exports, however easing of US-China tensions has meant that China has not followed up on the threat.

*SP Angel acts as nomad and broker to Mkango Resources

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.

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Deutsche Bank - Collapse is Imminent (Zero Hedge & The Atlantis Report) An increase in media newsflow on the potential collapse of Deutsche Bank is causing concern in financial circles.

Zero Hedge published 'The Deutsche Bank Death Watch Has Taken A Very Interesting Turn' , opening with 'The biggest bank in Europe is in the process of imploding, and there are persistent rumors that the final collapse could happen sooner rather than later.'

<https://www.zerohedge.com/markets/deutsche-bank-death-watch-has-taken-very-interesting-turn>

We note the chart on Zerohedge that shows Deutsche's share price vs Lehman Bros in the months before Lehman's collapse

Rumours have circulated in the city for many years about financial risk control at Deutsche Bank with a number of

former employees privately unable to refute these rumours.

Most rumours appear to focus on unconfirmed reports on the banks derivative positions which may run into 'tens of trillions of dollars of exposure' according to Zero Hedge.

Deutsche has shut down most if not all of its equities business in an attempt to stem substantial losses.

We also note Germany has recently changed its position on an EU banking plan and will consider EU-wide bank deposit insurance (FT).

<https://www.ft.com/content/8ea7e002-ffce-11e9-b7bc-f3fa4e77dd47>

Me thinks this is a sign that Germany is looking to split the cost of a potential collapse in one of its major banks - wonder what the Greeks and Italians might think about that?

Policy makers will likely look for an orderly process to unwind positions held in any major bank collapse.

US policy makers appreciate the damage done to the financial system on the collapse of Lehman Bros. with hard lessons learned from the Lehman Administration process.

Banks have scaled down and largely exited commodity trading indicating to us that commodity markets are less exposed to a bank collapse than other trading counters.

When Lehman Bros collapsed clients put funds into their LME brokerage accounts as we understand that no LME broker has ever failed to repay client money.

Conclusion: Physical gold is considered to be one of the safer investments to hold in the event of a major bank failure though gold ETF's if backed by the failed bank may be frozen.

Stimulus programs following a major bank collapse are also likely to benefit copper and other metals as policymakers move to restore financial stability.

Dow Jones Industrials +0.66% at 27,675

Nikkei 225 +0.26% at 23,392

HK Hang Seng -0.70% at 27,651

Shanghai Composite -0.49% at 2,964

FTSE 350 Mining -1.96% at 18,608

AIM Basic Resources -0.65% at 2,138

Economics

US - Equities are off slightly this morning following a recent rally in risk assets led by optimism over a trading deal between the US and China.

The US and China agreed to roll back tariffs on each other in phases as both sides work towards a deal, both nations

confirmed.

Both sides continue to negotiate over where and when a Phase One deal can be signed.

Gold is up \$7/oz after recording a sharp drop of ~\$50/oz this week.

Copper recorded a better climbing nearly \$150/t and hitting \$6,000/t level this week for the first time since late July.

China - Trade continued to slide in October, although, declines outperformed expectations.

"A slower pace of decline in exports in October offers some encouragement for the economy's performance heading into year-end," Bloomberg wrote.

"That said, a continued slide in imports, coupled with contraction in the new orders component of the official manufacturing PMI, suggest domestic demand remains weak - tempering any optimism about growth bottoming out near term."

The agreement to roll back tariffs amid Phase 1 agreement should provide positive trade momentum.

Trade surplus with the US was down 11.3%yoy (in US\$ terms) year to date.

Imports (%yoy): -6.4 v -8.3 in September and -7.8 forecast.

Exports (%yoy): -0.9 v -3.2 in September and -3.9 forecast.

Japan - Shinzo Abe calls for a fiscal stimulus to support an economy hit by a typhoon and an October sale tax hike.

"To further accelerate recovery efforts, tackle risks from overseas and improve productivity, we are putting together new economic policies," PM said.

The economy is forecast to contract by 2.7% in the final quarter of this year.

Germany - Surprisingly, exports exceeded expectations in September tht led some commentators to suggest the economy might have avoided a technical recession in Q3.

Stronger shipments to the UK and the US offset a decline in exports to China.

Imports (%mom): 1.3 v 0.1 (revised from 0.5) in August and 0.0 forecast.

Exports (%mom): 1.5 v -0.9 (revised from -1.8) in August and 0.3 forecast.

India - Moody's reduced the nation's credit rating outlook to negative on the back of a slowdown in the economy and increasing public debt.

The foreign currency rating is currently at Baa2, one level higher than the one from Fitch and S&P Global.

The agency expects the nation to post a 3.7% budget deficit this fiscal year (Mar/20) breaching the government's target of 3.3%.

The slowdown "has been deeper and longer than anticipated" with growth expected to come to down to a six-year low of 5%.

This compares to ~8% recorded in H1/18.

UK - The BOE left rates unchanged but indicated it will be prepared to reduce borrowing costs if the economy slow further.

Underlying UK growth had "slowed materially" in 2019 with both business investment and consumer spending affected by the global slowdown and a continuing deadlock on the future of the UK-EU relationship.

"If global growth fails to stabilise, or if Brexit uncertainty remains entrenched, monetary policy may need to reinforce the expected recovery," BOE said.

The committee voted 7-2 to keep borrowing costs on hold this month.

Markets also upped their bets on a rate cut over the course of 2020.

The pound is off 0.35% against the US\$ since early Thursday.

On outlook, the central bank cut 2020 GDP growth rate to 1.2%, from 1.3%, marking the weakest pace since 2009.

Currencies

US\$1.1046/eur vs 1.1081/eur yesterday. Yen 109.32/\$ vs 109.07/\$. SAR 14.843/\$ vs 14.728/\$. \$1.281/gbp vs \$1.287/gbp. 0.687/aud vs 0.691/aud. CNY 6.993/\$ vs 6.977/\$.

Commodity News

Gold US\$1,469/oz vs US\$1,486/oz yesterday - Gold set for biggest weekly decline in 2 ½ years (Reuters)

Gold was trading at \$1,468/oz earlier this morning, poised for its biggest weekly drop since May 2017 following the end of the Diwali festival in India.

Gold has risen about 14% this year, mainly due to the US-China trade war sparking global economic slowdown fears.

However, the two countries agreeing a "phase one" trade deal boosted risk-on sentiment and dented gold's appeal as a safe haven.

Despite this, gold edged 0.3% higher this morning as the phase one trade deal faced fierce internal opposition at the White House.

Man looking for wedding ring finds hoard of gold coins thought to be Ireland's largest (The Independent)

A metal detectorist searching for a friend's lost wedding ring finds a hoard of 84 coins, the oldest of which dates back

more than 500 years.

The oldest coin was minted when Henry VIII was king, and could be worth £5,000.

The coins, found in Ballycastle, have been sent to Ulster Museum for official identification and valuation by a team of experts.

Gold ETFs 82.1moz vs US\$82.2moz yesterday

Platinum US\$897/oz vs US\$934/oz yesterday

Palladium US\$1,792/oz vs US\$1,801/oz yesterday

Silver US\$17.00/oz vs US\$17.59/oz yesterday

Base metals:

Copper US\$ 5,960/t vs US\$5,955/t yesterday

Aluminium US\$ 1,818/t vs US\$1,808/t yesterday

Nickel US\$ 16,230/t vs US\$16,330/t yesterday

Zinc US\$ 2,485/t vs US\$2,487/t yesterday

Lead US\$ 2,097/t vs US\$2,108/t yesterday

Tin US\$ 16,610/t vs US\$16,550/t yesterday

Energy:

Oil US\$61.8/bbl vs US\$62.6/bbl yesterday

Natural Gas US\$2.792/mmbtu vs US\$2.784/mmbtu yesterday

Uranium US\$24.65/lb vs US\$24.45/lb yesterday

Bulk:

Iron ore 62% Fe spot (cfr Tianjin) US\$80.4/t vs US\$81.0/t

Chinese steel rebar 25mm US\$572.6/t vs US\$573.8/t

Thermal coal (1st year forward cif ARA) US\$63.8/t vs US\$63.8/t - BHP shareholders vote to stay in coal lobby groups (FT)

Only 27% of votes cast at the company's Sydney AGM were in favour to cut ties with industry organizations that have lobbied for the fossil fuel industry.

This outcome mirrors an investor meeting in London last month, where 78% of the votes supported membership of such groups.

The Australian gathering represents about 58% of all BHP shareholders, with the remaining 42% in England (mining.com).

According to the company, lobbying groups play an important role in "advancing the development of standards, best practice and constructive policy".

BHP has pledged to spend \$400m over the next five years to reduce carbon emissions and has tied executive pay more closely to environmental targets.

Coking coal futures Dalian Exchange US\$180.2/t vs US\$180.7/t

Other:

Cobalt LME 3m US\$36,000/t vs US\$36,000/t

NdPr Rare Earth Oxide (China) US\$40,971/t vs US\$41,085/t

Lithium carbonate 99% (China) US\$6,936/t vs US\$6,955/t

Ferro Vanadium 80% FOB (China) US\$28.5/kg vs US\$29.0/kg

Antimony Trioxide 99.5% EU (China) US\$5.3/kg vs US\$5.3/kg

Tungsten APT European US\$225-245/mtu vs US\$205-215/mtu

Graphite flake 94% C, -100 mesh, fob China US\$540/t vs US\$540/t

Graphite spherical 99.95% C, 15 microns, fob China US\$2,550/t vs US\$2,550/t

Battery News

Toyota and BYD to enter into electric vehicle joint venture (mining.com)

The two companies plan to each invest 50% of the capital to establish the venture, but did not disclose the amount.

Toyota said in June that it is aiming to get half of its global sales from EVs by 2025, however this includes gasoline hybrids.

The venture is aiming to develop battery EVs, rather than plug-in hybrids or gasoline-electric vehicles.

Yesterday, Toyota announced that its first-half profits had risen to an all-time high from April to September (FT)

Profits in this time rose to ¥1.27tn on a 4.2 per cent year-on-year increase in revenue to ¥15.3tn.

Company News

Aura Energy Limited* (LON:AURA) 0.325p, Mkt Cap £4.3m - Seeking compensation over Häggån uranium project

Aura Energy has announced that it is seeking compensation from the Swedish Government over financial losses incurred at its Häggån uranium project as a result of the Government's decision to ban uranium which became effective on 1st August 2018.

The company has submitted a written notification under the terms of the Energy Charter Treaty (ECT), described as "a multilateral legal framework promoting cross-border cooperation in the energy sector" under which the 54 signatories are presupposed to "respect fundamental legal principles".

Aura Energy's letter to the government "has requested Sweden for amicable settlement, discussions that shall be ended within a three months period ... as per Article 26 of ECT."

The Häggån project area also hosts Aura Energy's battery metals project where drilling earlier in the year underpinned the release, in October, of an upgraded global mineral resource estimate of 2bn tonnes at an average grade of 0.3% vanadium pentoxide, including an indicated 42mt of ore, at a 0.2% cutoff grade, averaging 0.35% vanadium pentoxide for a contained 320m lbs referred to as the Northwest High-Grade zone.

Conclusion: Aura Energy is seeking compensation over its uranium project resulting from a shift of Swedish government policy towards uranium. This seems a pragmatic course to safeguard shareholders' interests however, as with other disputes under international law, the resolution under could prove to be protracted.

*SP Angel act as Nomad & Broker to Aura Energy

Beowulf Mining* (LON:BEM) 6p, Mkt Cap £36m - Beowulf continues to push ahead with further funds for legal advice in Sweden and flexibility at Vadar

(Beowulf holds 41.5% of Vadar. Beowulf also holds 100% Kallak iron ore in Sweden, 100% of Aitolampi graphite in Finland and 40% of the Mitrovica and Viti projects in Kosovo)

Beowulf reports the raising of £250,000 for general working capital purposes, as well as legal advice in respect of their mining license application for the Kallak North project in Sweden.

Funds will also give the management additional financial flexibility for potential further support for Vardar at its Mitrovica and Viti Projects in Kosovo where Beowulf currently holds 41.5%.

News of the Swedish Business Minister and Finnish Minister of Commerce describing how Sweden and Finland should lead the way in global standardisation and certification of sustainably produced metals and minerals this week sounds positive for projects like Kallak.

Sweden's giant iron ore mine at Kiruna is reported to have insufficient iron ore reserves to meet domestic demand should prompt policymakers to support new local mine development for high-quality magnetite feedstock for its steel industry and maintain the value chain within Sweden.

Beowulf's proposed Kallak magnetite project is one of the largest undeveloped high-quality iron ore projects in Sweden. Its located in the Jokkmokk municipality centre in the County of Norrbotten in Northern Sweden is close to the hydropower regulated Little Lule River and in an area which is keen for further economic development.

The company's plans to develop the project are delayed with the government sitting on the mining license application despite pressure from the Jokkmokk municipality to allow project development.

The Swedish government appears to have imposed an 'unofficial' block on projects in the north above the Reindeer line

on the pretext that mine development might interfere with the grazing and migration of Reindeer run by the Sami herders.

We note the giant Kiruna mine operated by LKAB was developed in reindeer territory with a heavy-duty rail line cutting through reindeer migration routes. LKAB has since installed bridges to help migrating reindeer in their semi-annual migration. The Kallak mine development should use existing transport infrastructure indicating relatively little disruption from a reindeer perspective compared with the Kiruna mine development.

*SP Angel acts as nomad and broker to Beowulf Mining.

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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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