



## Hudbay Minerals, Lundin Mining, and Thomson Creek Metals: Now Is the Time to Buy

### Description

Base metals are experiencing healthy gains this year as declining stockpiles and mounting evidence that the global economy is on solid footing is increasing demand, both by end users and investors.

Base metals are particularly sensitive to the health of the global economy because, simply put, they are used to make consumables. Base metals are used in construction, wiring, automobiles, electronics and the list goes on. When the economy is strong, the demand for consumables rises.

The recent slew of positive economic data (particularly from China, the world's top consumer of many of the base metals) is adding upside impetus to the metals with zinc and aluminum leading the charge. Zinc is currently trading around a 35-month high, while aluminum prices are around a 16-month high. Copper's year-to-date performance is not quite as impressive, but recently the metal has ascended.

There is not much for investors to choose from in terms of pure-play base metal producers in Canada (that have a significant market cap) but there are a few diversified miners that investors can purchase to gain some exposure. Here are my three favourites, for their long-term potential.

### 1. Hudbay Minerals

**Hudbay Minerals** ([TSX: HBM](#))([NYSE: HBM](#)) is a diversified miner with access to copper and zinc, along with precious metals and molybdenum. The company's recent acquisition of **Augusta Resources** (TSX: AZC)(NYSE MKT: AZC) is a long-term bullish factor for the stock, because it gives the company access to a world-class copper resource in a politically stable region, the U.S. Quality copper resources in politically stable regions are becoming extremely hard to find.

The deal, which Augusta accepted on June 23 after months of trying to fight off Hudbay's courting, gives Hudbay access to the Rosemont project, one of the world's most promising copper reserves (with estimated resources of 7 billion pounds of copper). Hudbay is aggressively targeting growth, and the latest acquisition of a top-quality copper project in a mining friendly region is a very bullish factor for the stock.

## 2. Lundin Mining

**Lundin Mining** ([TSX: LUN](#)) is one of the only TSX-traded, higher market cap options for investors looking for a pure base metals player. Lundin focuses on copper, zinc, lead, and nickel. Its operations are located around the world including the Tenke Fungurume copper and cobalt mine in the Democratic Republic of Congo that it co-owns with Freeport (56%). Lundin owns 24%.

The company's latest full-year results showed operating earnings declined compared to the prior year, due in part to lower realized metals prices and sales volumes. In addition, the company swung from a position of net cash to net debt when comparing 2012 to 2013, but this change was due to the acquisition of Eagle and Freeport Cobalt plus investment in already owned properties.

Still, the stock deserves to be watched due to the on-boarding of its Eagle copper/nickel project. The company is expecting the first marketable concentrate will be available in the fourth quarter. Miners almost always see an uptick in stock values when new production comes online, and due to the fact that the company acquired debt to kick off this project, the realization that profits are on the horizon positions it for a move upwards. Even better, the high-grade project is currently on budget.

## 3. Thompson Creek Metals

**Thompson Creek Metals** (TSX: TCM)(NYSE: TC) can grant investors access to just one base metal: copper, but it also mines molybdenum and gold. The company deserves a mention here because of its Mt. Milligan mine. Thompson Creek's latest results showed that consolidated revenues for the first quarter of 2014 were up 48.1% year-over-year, thanks to added revenues from Mt. Milligan. The company swung to a net loss in the quarter, versus a break even in the comparable period, but the opening phase of Mt. Milligan's operations should be a positive factor for the stock going forward.

Mt. Milligan began the commissioning and start-up phase in the third quarter of 2013 and reached commercial production as of February 18, 2014. Thompson Creek will continue to ramp up the mine in 2014 and into 2015, and expects the mine will be cash flow positive in the second half of this year. I am bullish on Thompson Creek Metals due to its newly commissioned mine in a political stable region, Canada, and the fact that it will be cash flow positive by the end of the year.

## CATEGORY

1. Investing

## TICKERS GLOBAL

1. NYSE:HBM (Hudbay Minerals Inc.)
2. TSX:HBM (Hudbay Minerals Inc.)
3. TSX:LUN (Lundin Mining Corporation)

**Category**

1. Investing

**Date**

2025/07/19

**Date Created**

2014/07/30

**Author**

Iklingel

default watermark

default watermark