



2 Reasons Base Metals Are Still a Good Bet Heading Into 2018

Description

Base metals have had a remarkable ride in 2017 after several years of stagnation saw many miners fall out of favour. But do the bull markets in copper, nickel, and other base metals have room to run heading into 2018? Let's look at some reasons for optimism for some of these markets as well as some top Canadian equities to take advantage of the persistent uptrend.

China may push copper even higher

Copper has had an incredible year, powering many metals miners with its massive bull run. The Asian market accounts for over 60% of global copper usage, and developments in China have been a big catalyst for copper's rise.

China accounts for about 45% of global refined copper demand. In the midst of its modernization, China has committed to major infrastructure expansion. The Chinese have mulled a conversion to using copper for all wiring instead of the blend of aluminum and copper in use now. In July, China also announced that it may ban imports on some scrap metal, including copper, which would see higher refined copper imports in the country.

In July, scrap copper imports into China accounted for about 1.85 million tonnes compared to 1.54 million tonnes of refined copper. These numbers demonstrate the potential for an explosion in refined copper demand if the scrap ban goes through.

Shortage in supply could give the nickel bull more legs

Nickel supply has been threatened due to developments harming major producers in the Philippines. The election of populist-nationalist Rodrigo Duterte put significant pressure on the domestic industry. Duterte has threatened to impose a minerals export ban and "tax miners to death" to establish more domestic processing. He went on to encourage the establishment of factories and manufacturing plants in laying out his autarkic strategy.

Environmental concerns also continue to be at the top of the list of priorities for the administration, as it closed down some 26 mines almost immediately after coming to power in 2016. The nation still leads

the world in nickel production with Russia and Canada following behind at about half of its production each.

Canadian stocks with solid exposure

First Quantum Minerals Ltd. ([TSX:FM](#)) is a Toronto-based miner that produces copper, nickel, and gold. Shares have increased 12.5% in 2017 as of close on October 19 and 41% year over year. Its second-quarter results showed copper production jump to 141,912 tonnes compared to 131,349 in Q2 2016. Nickel production also increased to 5,920 tonnes from 4,982 in the previous year.

Hudbay Minerals Inc. ([TSX:HBM](#))([NYSE:HBM](#)) is a Toronto-based miner that produces copper and zinc. The stock has increased 27.2% in 2017 and 95% year over year. Zinc has also experienced an impressive bull market, but expected shortages have not materialized as analysts projected. Hudbay Minerals released its second-quarter results on August 3. Copper production climbed 18% to 40,842 tonnes, and zinc production saw a 14% increase to 24,896 tonnes.

CATEGORY

1. Investing
2. Metals and Mining Stocks

TICKERS GLOBAL

1. NYSE:HBM (Hudbay Minerals Inc.)
2. TSX:FM (First Quantum Minerals Ltd.)
3. TSX:HBM (Hudbay Minerals Inc.)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Investing
2. Metals and Mining Stocks

Date

2025/06/30

Date Created

2017/10/23

Author

aocallaghan

default watermark