



Should You Buy the Dip in Base Metals Stocks?

Description

Back in January, commodities stocks were riding high, and base metals had reached multi-year highs. The World Economic Forum (WEF) in Davos, Switzerland served as a bit of a triumph for the well-heeled attendees, who had seemingly overcome the looming threats of protectionism and nationalism to witness the [best economic year since the Financial Crisis](#). Base and precious metals stocks got an even bigger boost when U.S. Treasury secretary Steven Mnuchin [appeared to advocate](#) for a lower U.S. dollar going forward.

What a difference a month makes. Copper fell to an eight-week low in a trading week that saw a substantial slide in stocks around the world. Strong news for the domestic U.S. economy, including 2.9% wage growth, seemingly spooked the broader market, as fears over tightening interest rates and monetary policy persist.

On February 9, Statistics Canada posted a jobs survey that showed Canada shed 88,000 jobs in January. This represented the largest drop in a single month since January 2009, when Canada was in the thick of the global recession. However, Canada has seen five consecutive months of wage growth and reported a 3.3% growth in wages compared to January 2017. The new information caused **Bank of Montreal** to dismiss any possibility of a rate hike in March and likely April.

After a terrific 2017, what does this early slide in stocks mean for commodities and base metals stocks? Let's take a look at some of the top options entering the second full week of February.

Ivanhoe Mines Ltd. ([TSX:IVN](#)) is a Vancouver-based mineral exploration and development company. The stock has dropped 31.2% in 2018 as of close on February 9. In the 2017 third quarter, Ivanhoe Mines reported progress on its copper drilling program at its Kamoa-Kakula copper project and highlighted a number of promising resource estimates.

The stock has faced a huge slide after the Democratic Republic of Congo (DRC) parliament approved a law that will hike royalties on base metals across the board, including a 50% “super-profit” tax. Ivanhoe Mines will have the opportunity to take the DRC to arbitration. In any case, the political risk is high and exacerbated by the sudden global stock market rout.

Hudbay Minerals Inc. ([TSX:HBM](#))([NYSE:HBM](#)) is a Toronto-based mining company that produces mainly copper and zinc. Shares of Hudbay have declined 12.6% in 2018 thus far. In the 2017 third quarter, Hudbay saw its zinc production jump 5% from Q2 2017 to 36,635 tonnes, while copper production remained flat.

Although the spot price of copper has struggled in recent weeks, lagging worldwide copper production should still pique interest as we look ahead this year. Zinc has also seen similar supply concerns that have elevated the price during this period of economic recovery. Hudbay offers a modest dividend yield of 0.2%.

Lundin Mining Corporation ([TSX:LUN](#)) stock has fallen 5.8% in 2018. The Toronto-based producer of copper, nickel, and zinc released its 2017 production results on January 16. Lundin achieved annual production guidance for all of its metals. The company is expected to release its fourth-quarter and full-year results on February 15. The stock also offers a solid dividend of \$0.03 per share, representing a 1.5% dividend yield.

CATEGORY

1. Investing
2. Metals and Mining Stocks

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2. TSX:HBM (Hudbay Minerals Inc.)
3. TSX:IVN (Ivanhoe Mines Ltd.)
4. TSX:LUN (Lundin Mining Corporation)

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