Millennial Investors: 3 Reasons Why Copper Could Be Your Generation's Oil

Description

Between 1973 and 2008, just prior to the U.S. housing crisis, the price of a barrel of crude oil rose from under US$3 to over US$160, marking a gain of 5,200%

Yet science continues to show us that the consumption of fossil fuels is doing irreparable damage to our ecosystems and the environment, and with billions of dollars being directed at clean energy technologies, some experts are forecasting that copper is set to replace oil as the world's most valuable natural resource.

In its 2018 annual report, U.S.-based **Freeport-McMoRan**, the world's largest publicly traded copper miner, stated that it sees significant demand for copper coming from emergent technologies.

In the report, Freeport states that not only do high-efficiency motors consume up to 75% more copper than traditional types, but an electric vehicle on average consumes up to four times the amount of copper compared to that of an equal-sized internal combustion engine.

In addition, the company also suggests in the report that "renewable energy such as wind and solar consume four to five times the amount of copper compared to traditional fossil fuel generated power."

Combine that with a report from *Bloomberg* that suggests a global supply deficit in copper could emerge by as early as 2020, and you have yourself a scenario which could, in theory, lead to a dramatic increase in the price of the red metal.

One way to play this angle would be through an investment in **First Quantum Minerals** (TSX:FM).

With a geographically diversified portfolio of operations that collectively produced over 600,000 tonnes of copper in 2018, First Quantum has positioned itself to become one of the largest widely held pure-play copper producers in the world.

Being a low-cost producer helped First Quantum to generate $2.88 per share in cash flow from operations last year, yet FM shares are still trading below their net tangible asset value.

This could potentially be a very lucrative long-term investment opportunity for those who are willing to be patient with the company.

Teck Resources (TSX:TECK.B)(NYSE:TECK), meanwhile, wouldn't quite be considered as a "pure-play" copper investment. Teck also has a sizable metallurgical coal business along with some smaller zinc mining operations and, more recently, its Fort Hills joint venture with **Suncor Energy**.

As a result, the performance in Teck stock will be affected by a variety of factors, not the least of which is the demand for steel, which can be particularly volatile and sometimes dependent on the level of economic activity taking place in emerging markets like China and India.

Yet Teck's copper business still constitutes a sizable percentage of the company's overall book of business.

TECK stock right now currently trades below the value of the firm's net tangible assets.

A catalyst in the making?

Despite the rosy long-term outlook for copper demand coupled with the threat of a looming supply shortage, the best news for copper bulls could be an impending trade deal between the U.S. and China.

News of progress in talks between the world's two largest economies could have a major impact in lifting investor confidence and availing any concerns about the threat of additional trade restrictions that could threaten to derail global economic activity.

This is certainly a story to be following closely.

Investors may want to consider initiating small, short-term, speculative positions in either of the aforementioned companies in the event that a U.S.-China trade deal gets announced.

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TICKERS GLOBAL

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