



## Why Capstone Mining Stock Has Dived 48% in the Last Month

### Description

### What happened?

Shares of **Capstone Mining** ([TSX:CS](#)) have witnessed a massive selloff in the last few weeks. In the week ended on July 15, CS stock price dived by more than 17% to \$2.40 per share, ending its sixth consecutive week in the red territory. With this, the stock has now seen 48% value erosion in the last month against the **TSX Composite** benchmark's 6.2% drop.

### So what?

Capstone Mining is a Vancouver-based copper mining company with a market cap of about \$1.6 billion. In 2021, its Arizona-based Pinto Valley copper mine accounted for 69% of its total revenue, while the remaining 31% came from its Mexico-based Cozamin copper-silver mine.

In the last few weeks, CS stock has been under massive pressure due mainly to a continued decline in copper prices, as investors fear that the lower commodity prices environment could badly affect the Canadian [metals and mining](#) company's financial results in the coming quarters.

Notably, COMEX copper futures prices have plunged by nearly 23% in the last month, taking it nearly 35% off its March highs. Growing fears about a recession and slowing global economic growth are continuing to haunt commodity investors, leading to a selloff in commodity prices. Base metals prices in particular have been badly hit by this commodity market selloff, as they're primarily used in infrastructure, [technology](#), and transportation sectors, which are sensitive to economic conditions.

In 2021, Capstone Mining registered a massive improvement in its profitability as its adjusted net profit margin for the year jumped to 30.5% from 5.8% in the previous year. While the company maintained strong profitability in the first quarter this year as well amid a continued rally in base metals prices, the recent massive crash in copper prices lowers its near-term profitability outlook.

## Now what?

As uncertainties about the near-term outlook for the global economy are increasing, I expect shares of mining companies, including Capstone Mining, to remain highly volatile in the near term. While this factor might lower its near-term outlook, Capstone Mining still remains an attractive investment option for long-term investors, as it continues to focus on unlocking transformational copper production growth and improving cost efficiencies.

Also, the medium-term outlook for copper prices remains strong, despite ongoing uncertainties, as the global demand for the metal is still expected to grow in the coming years. Given these positive factors, value investors may consider buying CS stock after its recent decline and hold it for the long term.

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