



Why First Quantum (TSX:FM) Stock Dived by 17% Last Week

Description

What happened?

Shares of **First Quantum Minerals** ([TSX:FM](#)) tanked by 17.3% last week to \$21.37 per share, posting its worst performance in nearly seven weeks. FM stock has lost more than 50% of its value after reaching its record high of \$45.38 per share in April. With this, the stock is now down 29.4% on a year-to-date basis, despite surging by 43% in the first quarter of 2022. By comparison, the **TSX Composite Index** has seen 9.2% value erosion this year so far.

So what?

Last week's big losses in the share prices of First Quantum Minerals could be attributed to a recent sharp selloff in metals — especially copper. In the week ended on September 2, Comex copper futures prices slipped by well over 7% after the release of much worse-than-expected latest manufacturing data from China, as concerns about slowing global economic growth continue to haunt investors.

Also, disappointing U.S. non-farm employment data for August added to worries about a near-term recession, triggering a sharp selloff in commodity prices across the board. As the [metal mining](#) firm First Quantum's profitability is directly linked to metal prices, weakening metal prices could be the main reason for FM stock's recent selloff.

Now what?

The ongoing growth trend in First Quantum's [financials](#) looks impressive. In the last four quarters combined, its total revenue has gone up by 18.8% YoY (year over year) to around \$7.8 billion. More importantly, a rally across commodities markets has helped the company significantly expand its profitability in recent quarters. This is one of the key reasons why its adjusted earnings in the last four quarters combined have risen by 200% YoY to \$ 1.92 per share.

While the recent weakness in metals prices is likely to hurt its profitability in the coming quarters, the

long-term price outlook for copper remains strong with consistently rising global demand in the post-pandemic era. Given that, the recent dip in FM stock could be an opportunity for long-term investors to buy a [fundamentally](#) strong stock at a bargain.

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