



This Mineral Company Was on the Move in January 2023

Description

Minerals and mining is one of the largest sectors in the TSX, as Canada is home to [almost](#) half of the world's publicly listed mining and mineral exploration companies. [Mining stocks](#) are cyclical, as their earnings depend on the price of metals and the production output of the mining company.

First Quantum Minerals's ([TSX:FM](#)) stock price surged 9.7% in January, raising the question of whether it is a good time to invest in this mineral stock. Before you rush to invest, let's understand why the stock surged and what does the stock have to offer?

Why did First Quantum Minerals stock surge in January?

Multiple factors at play on the demand and supply side pushed this mineral stock upwards. Firstly, First Quantum Minerals stock is sensitive to copper price as 88% of its revenue comes from copper. As a good conductor of heat and electricity, copper is used in all electrical gadgets, electric vehicles, planes, and alternative energy technologies like wind and solar.

Copper prices

Copper prices have been [volatile](#), as they largely depend on macroeconomic conditions, which have been uncertain amid lockdowns in China, rising interest rates, inflation, and slowing demand. The price of copper surged 9% in January amid bullish momentum in the market and the reopening of China, the world's largest consumer of copper. Hence, First Quantum Minerals's stock price surged 9.7%.

Cobre Panama mine

The extra 0.7% surge came, as the mining company negotiated with Panama's government over the operations of its Cobre Panama mine. This mine is crucial for First Quantum Minerals, as it accounts for 45% of the company's output and 1.5% of the world's copper production. The company is in dispute with the Panama government over a series of issues, including royalty, taxation, worker safety, and

environmental impact.

The dispute could impact the mine's operations and affect the stock price of First Quantum Minerals. For instance, the stock surged in January when the company reached a negotiation to pay a minimum of \$375 million per year to the government. However, this dispute [escalated](#) and started affecting the operations, pulling the stock down 12% in February.

What does First Quantum Minerals stock have to offer?

Mineral stocks are cyclical and go through troughs and peaks. They are not good dividend payers, as they cannot sustain high profits in a down cycle. But you can make money in them by buying these stocks in a cyclical downturn. A recovery rally can triple or quadruple your money in two to three years.

In the case of First Quantum Minerals, its cyclical downturn comes during a macro-level crisis when industrial production slows, thereby reducing copper demand. The stock outperformed during the recovery rally of the 2008 financial crisis, the 2014 oil crisis, and the 2020 pandemic.

FM stock surged

- Almost 500% between November 2008 and February 2011;
- Over 315% between December 2015 and February 2018; and
- 500% between April 2020 and April 2022.

The stock is down 40% from its March 2022 peak. A global recession could pull FM stock down.

How to make money from this mineral stock

You can't predict the market. But you can buy FM stock throughout its downtrend and reduce your average cost per share. Given the stock's potential of a triple-digit rally in recovery, it would be better to invest \$100 per month in it through the Tax-Free Savings Account (TFSA). The TFSA allows you to withdraw investment income tax free.

You can stop investing in the stock when you see a sharp rebound. That is the time to reap the rewards. The electric vehicle revolution and the shift to renewable energy could drive copper demand.

FM stock would largely work for momentum traders. If your risk tolerance is low, you can add dividend stocks like **BCE** and **Enbridge**.

CATEGORY

1. Investing
2. Metals and Mining Stocks

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