

Lundin Mining Corporation

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Copper price surges to a two-year high, as Chinese economy accelerates and stimulus packages proliferate

The copper price pushed past US\$7,000 per tonne this week, as traders bought in after apparent progress in talks between Republicans and Democrats in the US in relation to a new stimulus package.

According to a back-of-the-envelope calculation published by broker SP Angel, the world has now pumped around US\$17tn in stimulus into the various regional economies in response to the coronavirus crisis.

Whether that new money will help in any way to solve ongoing structural problems with the global economy is an open question, but in the short term the expectation, and increasingly now the reality, is that a good portion of that new money is being allocated to copper.

Copper is often referred to as the bellwether metal, because demand for it often runs in parallel with times of economic expansion since its uses are so widespread. In particular the metal is used in construction and manufacturing, with bulls in recent years pointing increasingly to the amount of wiring used in electric vehicles as a likely additional source of demand in the future.

However, some of the most recent strength is also attributable to supply worries, as the International Copper Study Group predicted this week that global copper mine production is likely to decline by about 1.5% in 2020, primarily due to coronavirus-related disruptions at the operational level.

Separately, industrial action and protest is also currently disrupting supply from Codelco, the parastatal that accounts for the major proportion of Chile's production, while work at Lundin Mining's (TSE:LUN) Candelaria mine, also in Chile has also been suspended for similar reasons.

Having said all that, broker SP Angel noted that it's not entirely clear where the recent surge in buying that pushed the copper price over US\$7,000 actually came from. Traders argue that the price is too high for China's State Reserve Bureau, and that in the absence of any new ETFs the best bet is that Asian investors are viewing copper as a good long-term hedge.

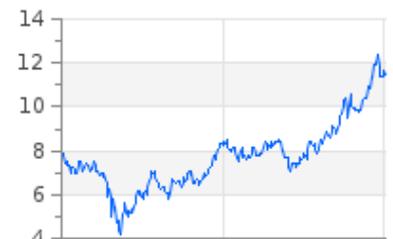
That's partly because in the background, partially obscured from view by continued fretting in Western markets about coronavirus, China has resumed its economic expansion, boosting GDP by 4.9% during the third quarter, up from the virtually stalled 0.7% returned for the quarter to end-June.

All of which is likely to benefit those that are already strongly positioned in the copper space, including at the top level Glencore (LON:GLEN) and Rio Tinto (LON:RIO), and further down the ladder companies like Arizona Metals (CVE:AMC), Atico Mining (CVE:ATY), 3 Metals (CVE:CCCM), Doré Copper (CVE:DCMC), Filo Mining (CVE:FIL), and Kutcho Copper (CVE:KC).

Price: 11.45

Market Cap: \$8.43 billion

1 Year Share Price Graph



January 2020 July 2020 January 2021

Share Information

Code: LUN

Listing: TSX

52 week High Low
12.47 4.08

Sector: Mining

Website: www.lundinmining.com

Company Synopsis:

Lundin Mining Corporation is a rapidly growing, diversified base metals mining company with operations in Portugal, Spain, Sweden and Ireland. The Company currently has six mines in operation producing copper, nickel, lead and zinc (Neves-Corvo and Aljustrel in Portugal, Zinkgruvan and Storliden in Sweden, Galmoy in Ireland and Aguablanca in Spain).

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For its part, SP Angel favours Arc Minerals (LON:ARCM), Empire Metals (LON:EEE), Phoenix Copper (LON:PXC), SolGold (LON:SOLG), and Strategic Minerals (LON:SML) for its Australia copper asset at Leigh Creek.

Shore Capital likes Maricama Copper (CVE:MARI).

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