



Rally in industrial metals remains intact : BMI Research

While precious metals (with the exception of palladium) have suffered a deep sell-off since the surprise outcome of the US presidential elections, the rally in industrial metals appear intact.

In a new report BMI Research, a unit of Fitch, says the gains in metal prices this year is set to continue in 2017 thanks to infrastructure spending in China and to some extent in the US and the UK, but at a much more modest pace.

With limited access to capital, companies will try to improve their liquidity and financial standing, as well as look towards alternative sources of finance.

Despite its relatively sanguine view on

metals prices, BMI expects the world's largest diversified miners to continue to tighten their belts.

Top miners built up massive debts through the boom years and while most have been successful in reducing debt "there is still a long way to go to reduce debt to healthy levels" says BMI:

Miners like Glencore have outperformed others in this task, while BHP has underperformed. Additionally, as the risk of default has increased, banks are only extending trade and long-term financing at an increased cost to those mining and metals companies with sufficient security to back the debt.

With limited access to capital, companies



will try to improve their liquidity and financial standing, as well as look towards alternative sources of finance. Although commodity prices have now bottomed, volatility will continue gripping the sector especially as the world's largest consumer and producer of most metals and ores, China, tries to balance economic growth with reforms in its oversupplied sectors.

As such, miners will focus on maximising their free cash flows in order to bolster themselves from unexpected price and demand movements. This will be done by reducing costs, dividend cuts, and lower capital expenditures going forward.

While paying down debt will remain a priority BMI expects the asset sales undertaken by a large proportion of top tier mining companies over the past couple of years to end. BMI says miners have already shed their non-core assets by FY2016 and higher revenues from improving commodity prices will incentivize less disposal of assets forward.

Freeport McMoran Inc has announced in October 2016 that the company will no longer sell their mining assets. Similarly, Vale and Anglo American will also be holding back asset sales unless they fetch attractive prices thanks to better commodity prices reducing pressure on balance sheets.

Mine closures will slow global nickel market



Despite increased demand for nickel, low profitability owing to the combination of persistently low prices and higher costs may result in project closures over the next five years, according to research and consulting firm GlobalData.

The company's latest report states that operating nickel mines scheduled for closure during the forecast period include the Savannah and Mount Keith mines in Australia, the Cantilan nickel project in the Philippines, and the Lac Des Iles mine in Canada. These operations face declining margins and also depleted reserves.

Global refined nickel consumption is set to grow from just under 2,000 thousand tonnes (kt) in 2016 to 2,023 kt by 2020, representing a compound annual growth rate (CAGR) of 1.3%, which is drop of the previous high growth of 5.23% from 2010 to 2015, according to GlobalData.

Cliff Smee, GlobalData's Head of Research and Analysis for Mining, explains:

"Growth is supported by rises in the population and urbanization in emerging economies such as China and India, which are expected to invest heavily in upgrading infrastructure and expanding industrial and output capacity.

"Current low LME prices in the nickel market will shut high-cost capacity in the short to medium term, and when warehouse stock begin to deteriorate prices will revert to growth."

GlobalData believes that high prices post 2020 will support the development of new projects, including the Araguaia project in Brazil, the Mandiodo project in Indonesia, the Wingellina and Hooneymoon Well projects in Australia, the Platreef project in South Africa, and the Voisey's Bay mine expansion and the Eagle's Nest projects in Canada.

JOIN US **Metalworld**



To Get More Updates On
**Foundry & Non-Ferrous
Metals Industry**

Use the below Link & Like the Page

<https://www.facebook.com/pages/Metalworld/249596461861510>

To Know the Inside of Industry

<http://metalworldblog.wordpress.com/>