

# Antofagasta PLC

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## Major strategic shifts lie behind the upward surge in copper

Who really sets the copper price?

The question has been thrown into sharp relief over the past month as copper rose to US\$5,613 earlier this week, its highest closing price since July 2015.

Beyond doubt, the trigger for the move was the election of Donald Trump in America. But how quickly market pundits and analysts return to a traditional narrative: in recent days the moves have all been about China.

"Copper rises as Chinese investors pile in," wrote SP Angel in a note earlier this week. Commodities broker Marex Spectron cited positive sentiment at an industry conference in Shanghai, where talk was rife of demand growth of between 3% and 5% for next year.

Correspondingly, copper inventories tracked by the LME have declined by 35% since the end of September on withdrawals from Asian warehouses.

Why, precisely, the Asian buyers are going long is open to question. Could it be that as well as the ongoing Chinese government stimulus, that they are also going long on Trump?

If so, that would be an interesting comment from the Far East on the election of a man that is supposed to be making the world an unsafer place.

To be fair, copper had been a laggard in a commodities market that was already rising, and it was perhaps due a run anyway. Second guessing whether Trump's pull is greater than that of the Chinese economy is perhaps academic in that context. Perhaps more significant is Trump's decision to pull out of the Trans-Pacific Partnership, a trade deal that it took the Obama administration a painstaking seven years to negotiate.

The Trans-Pacific Partnership excluded China, and for those who still have any faith in technocratic analysis was thus ultimately bad for China, at least in relative terms, since participants were likely to have enjoyed significant economic benefit.

The wildcard in that deal, though, was that Trump voters in the American heartlands perceived no benefits whatsoever.

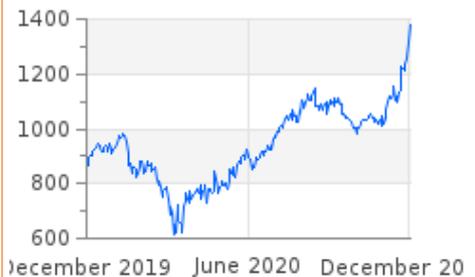
Thus Trump has said he will bring jobs and industry "back on to American shores." That will be good in the short-term for copper demand in the US. But it will be good for Chinese economic growth in general too, as it's hard to read this decision as anything other than a reining in of an overextended US economic reach.

Accordingly, China's regional economic muscle is likely to grow. So, buy copper, runs the thinking. Straightforward enough, but not everyone agrees.

**Price:** 1372

**Market Cap:** £13.53 billion

### 1 Year Share Price Graph



### Share Information

**Code:** ANTO

**Listing:** LSE

**52 week High Low**  
1384.5 575

**Sector:** Mining

**Website:** [www.antofagasta.co.uk](http://www.antofagasta.co.uk)

### Company Synopsis:

*Antofagasta is a Chilean-based copper mining group with interests in transport and water distribution. It is listed on the London Stock Exchange and has been a constituent of the FTSE-100 index since 2004. The Group creates value for its shareholders through the discovery, development and operation of copper mining operations.*

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At Commerzbank, analysts cite a report by the International Copper Study Group, an intergovernmental industry body, that has reduced its estimate for the global copper supply deficit for the year through August.

"Given that the production of copper has been further expanded in the meantime, above all in China, the global copper market is now likely to be adequately supplied," Commerzbank wrote.

But the naysayers are now on the back foot, as money moves in to back the bulls. Thus, serious copper producers like Antofagasta PLC (LON:ANTO) have been enjoying strong share prices for some weeks now. Antofagasta's shares have risen by 40% since the end of October.

Further down the pecking order, shares Central Asia Metals (LON:CAML), long the leading copper junior play in London, have risen by around 20%.

Other companies worth watching at a junior level are Kincora Copper (CVE:KCC), Entrée Gold (TSE:ETG), Vast Resources (LON:VAST), Asiamet Resources Limited (LON:ARS) and Tethyan Resources PLC (LON:TETH).

After the significant moves enjoyed by Solgold (LON:SOLG) earlier in the summer, the value uplift a major copper discovery can deliver has been clearly demonstrated.

How much more satisfying to deliver a similar result into a bullish copper market?

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