Hans Günnewigk im Interview mit Bloomberg am 04.02.2020
„For the Beaten-Down Miners, It´s All About Timing: Taking Stock“

By Michael Msika

(Bloomberg) -- When do you catch a falling knife? That’s what investors in resource-related stocks must wonder after the Stoxx basic resources sub-sector tumbled nearly 10% since the coronavirus crisis escalated in mid-January, and as commodity prices are rebounding today. Metals and miners have been feeling the heat, as uncertainty mount over the impact on Chinese economic growth and demand for commodities. But as in every sell-off, pockets of opportunity may be emerging.
* First, there’s the context: China now accounts for over half of global demand for industrial metals, compared to 20-25% in 2003 when the SARS virus broke out, says Hans Guennewigk, a portfolio manager at Consortia Asset Management. But: there’s also what the country might do to limit the economic damage.
“Once the coronavirus is under control, China will do everything it can to meet its growth target -- doubling GDP in 2020 versus 2010,” Guennewigk says, adding that he’s a buyer on the weakness of miners including Anglo American Plc, Teck Resources Ltd. and Freeport-McMoRan Inc.
* Looking at valuations, Deutsche Bank AG analysts say their mining universe has moved from a 5% discount to the market before the outbreak to a 12% discount currently. But it’s not at panic levels, typically suggested by a 20% discount during major risk-off phases, they say. Looking at the chart below, it seems analysts are yet to adjust their forecasts for mining stocks as they still see significant upside.

* Fidelity International analyst James Richards is on the same page as Consortia’s Guennewigk about the Chinese economy, seeing the country as “extremely likely” to ramp up fiscal and monetary stimulus materially to maintain growth. He adds that such a large scale boost has historically been great news for the mining sector.
* The problem is timing. Richards says stimulus can’t start until the spread of the virus is under control, so the buying opportunity isn’t immediate, but “for the brave.” In the short term, the coronavirus will have a very negative impact on commodity demand, he adds.

* That’s part of the reason why Citigroup Inc. analysts urge caution on the mining sector until the disease is brought under control, with “convex” downside risks seen for iron ore and copper in particular. They still expect a significant demand recovery during the second half of the year.
* Despite the steep drop in iron ore prices, the commodity is still trading well above its marginal cost, UBS AG analysts say, and has room to fall back toward marginal cost ($60-$65 a ton as per UBS estimates). Once the coronavirus is contained and demand recovers, they see the strongest upside for nickel and copper,
naming their preferred stocks as Freeport-McMoRan, KAZ Minerals Plc, Southern Copper Corp., Glencore Plc, OZ Minerals Ltd. and MMC Norilsk Nickel PJSC. In the near-term, they’re sticking with more defensive names Polymetal International Plc, PJSC Polyus and Norilsk Nickel.