

Canaccord Genuity

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Canaccord talks coronavirus, global commodity markets and gold trends

Canaccord Genuity Group Inc (TSE:CF) Australia head of mining research Reg Spencer thinks the outlook is good for key commodity markets for 2020 and believes the trends will support increased exploration expenditure.

Speaking at the RIU Explorers conference in Fremantle, Spencer said: "2019 was a relatively good year for the Australian metals and mining sector with most of the key metals and mining indices up by 20%."

"This was due to strong moves in key commodities such as gold, iron ore and nickel.

"Conversely there were pressures that continued to be felt in lithium and copper."

The main factor that dominated global markets in 2019 was the US-China trade conflict, which was somewhat nullified at the start of 2020 with the signing of the phase-one trade deal between the US and China.

Spencer said: "The hope was to remove global uncertainty over growth and commodity prices, but that's been overshadowed in recent weeks by the coronavirus outbreak in China."

Overshadowed by coronavirus

"There's a saying that when the US sneezes, Australia catches a cold," he said.

"So, what happens when Australia's largest trading partner and the world's second-largest economy catches a serious case of the flu?"

"Our view is that the full impact of the coronavirus is yet to be fully understood but you only have to look at the way equity markets in the US are performing to see there are diverse views as to what the likely impact on the markets is going to be."

In recent weeks as companies have released their financial results the market is starting to see an impact on the global community and Spencer said comparisons had been made to the 2013 SARS outbreak.

He said: "With economic activity significantly slowing in China, we think that we will start to see impacts on the commodity markets.

"The iron ore price almost fell off a cliff in early January."

Buying opportunity

However, Spencer said that this could present a buying opportunity.

He said: "If and when the virus is contained, you would expect the Chinese government to announce further stimulus to

Price: 5.62

Market Cap: \$530.61 m

1 Year Share Price Graph



Share Information

Code: CF

Listing: TSX

52 week	High	Low
	6	3.21

Sector: Financial Services

Website: www.canaccordfinancial.com

Company Synopsis:

Canaccord Genuity is a leading independent, full-service financial services firm, with operations in two principal segments of the securities industry: wealth management and capital markets.

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get the economy going again.

"Any short-term uncertainty in commodities and share markets could present as an opportunity for investors."

Commodity market outlook

Canaccord expects gold to outperform in 2020, nickel to rally, a bottom in copper (with the potential to rebound) and a bottom in battery metals such as lithium.

Spencer said: "There are many reasons to remain bullish with gold in 2020 and beyond."

"The Australia dollar is just under \$2,400 an ounce and US gold went to \$1,600 an ounce overnight which is a six-year high."

"This high Aussie gold price will continue to lead to the provision of risk capital for explorers, particularly in WA and we think this further investment will lead to further discoveries."

While global gold exploration expenditure is low, Spencer said that from 2014-2019 Australian gold exploration increased substantially - bucking the global trend.

He said: "Exploration budgets do have a correlation to underlying commodity prices."

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