

Antofagasta PLC

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Coronavirus raises doubts about globalisation in some quarters, and about totalitarianism in others

Amid a sea of red, broker Liberum chooses to recommend Antofagasta (LON:ANTO) and Glencore (LON:GLEN) over other major mining companies like Rio Tinto (LON:RIO)(NYSE:RIO) and BHP (LON:BHP)(ASX:BHP).

Why is this?

The simple answer is that shares of Antofagasta and Glenore are likely to rebound faster when the current wave of panic selling abates, because the disruption to the copper price and copper-related supply chains will be much less severe than disruption in the iron ore market.

How much significance that distinction is likely to have in the long run is open to debate, however, as Liberum also reminds us that in 2019 global trade volumes contracted for the first time since the financial crisis.

It's possible to argue, therefore, that the market was already on a bearish trend before the coronavirus hit, and that what we're seeing now is a bubble bursting, and not just an extremely heavy dose of negative sentiment.

Then again, before the coronavirus struck, both the US and the Chinese economies were continuing to deliver significant growth, in spite of trade tensions, and that the market as a whole was cautiously optimistic that in the longer-term these tensions would ease.

So, a mixed and confusing picture.

The virus is spreading, but how much impact it will have remains to be seen. The numbers, at least on the official count, are already beginning to slow inside China, and China is getting back to work.

And yet, how much the rest of the world wants to believe the latest Chinese data remains an intriguing question - indeed, it is perhaps the key question of the globalised era that so much international trade is beholden to a totalitarian regime where there is no freedom of information or independently-vetted newsflow.

When profits are involved, the world can just about wear that kind of conflict of interest, as the recent kow-towing of the American NBA basketball league to Chinese business shows.

But when it comes to epidemics and contagious viruses, attitudes to systems of government and trade become far less certain. Already, prominent voice on the right in America, like Tucker Carlson, have drawn a direct line between the rapid spread of the virus and globalisation. And Donald Trump himself has boasted about how a swift travel ban and a severing of certain international links has helped to prevent the virus spreading to the US in a more serious manner than it already has.

Price: 927

Market Cap: £9.14 billion

1 Year Share Price Graph



Share Information

Code: ANTO

Listing: LSE

52 week	High	Low
	993.8	575

Sector: Mining

Website: 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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The left-right political battle in the US couches such decisions and views inside wider arguments about racism and fairness, but be that as it may, if international travel grinds to a halt in an effort to stem the spread of the virus, the impact on globalisation will still be tangible.

So, expect the economic nationalists that run the US, China, India, Brazil, Russia and Britain to take note: global supply chains and markets seem to be extremely sensitive to a disease that thus far has killed fewer people than died in traffic accidents in California in 2018. The health and national security arguments favouring the repatriation of formerly outsourced production are already being formed.

But will it really come to that?

It's only a couple of weeks ago that most analysts were reckoning that coronavirus would run its course by the end of the first quarter of this year. On that analysis there's still four weeks to run, and if the Chinese are indeed telling the truth and the rate of infection is slowing at source, then there are surely grounds for optimism. What the market really hates is the uncertainty around it all - it puts no-one in the mood for buying and makes everyone jittery.

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