


# Ecclestone's Top 5 and the Confucian Curse for Mining Investors in 2015

I must have written around 100 posts for Investorintel  during 2015 and looking back over them see that they cover a wide gamut that even surprises me. Buzzfeed is recent years has made a sensation out of making lists of lists so I thought I would do my own humble bit of trawling through my own output and ranking the pieces that I thought most resonated and post my favorite five most pugnacious posts of 2015.

## **M&A Misstep**

The year started out with my piece on Mining M&A Predators. The year has seen quite a few M&A deals carried to completion but the expected predators have been quite different. Back in January the trading houses in particular seemed to be riding high and Glencore was positioned, seemingly, so that all it needed to do was write a cheque and the potential victim would roll over and surrender. By the end of the year, most of the trading house predators were looking almost as sickly as their potential prey and instead of being acquirers they were indulging in mass-mothballing and preparing for the garage sale to end all garage sales of mining properties.

Most mining majors had also lost their appetite for action (unless it was divestment) and as we recently wrote, Anglo American was tossing out the baby with the bathwater in its downsizing. Now more than ever it looks like the mid-tier that is driving consolidation in the space.

## **FANYA – China's Own Goal**

Back when we wrote on FANYA in September it looked like it had created its own little version of trading hell. We referred

to it as an immense own-goal. It looked like it has screwed up China's ambitions to be the market place in the specialty metals it had dominance in the production, consumption or processing thereof (or all three).

However the FANYA debacle just got worse with it becoming evident that FANYA investors held a lot more of the metals they traded than anyone ever imagined and these started spilling out into the marketplace in the last quarter of the year totally screwing up pricing for the likes of Bismuth, Indium, Antimony and maybe even Tungsten. This negative evolution of matters chiefly impacted Chinese producers with the result that they were paid less for what they sold.

So FANYA has gone from being a market misstep into a major debacle for Chinese specialty metals miners as well. The process is still playing out with the Strategic Reserve having to mop up stocks slopping around in the marketplace to restore some discipline. This finally seems to be working but frankly it was entirely unnecessary if things had been better regulated in the first place.

## **Marketing Missteps**

This piece had its genesis in Tracy asking me to respond to some of the points raised by one of the presenters at the October Technology Metals Summit. The claim was a valid one that mining marketing was out of date, unresponsive and one-size-fits-all.

My resulting article on Mining IR practices managed to snag me a spot on BNN elaborating upon some of the worst practices in the mining IR world. One IR exec from a mining company emailed me later and said she had watched the segment while cycling furiously at the gym and had nearly fallen off the bike laughing at my mention of the booth attendants sizing up the "look" of the investors before whipping out a better copy of the corporate presentation from under the table if they looked

more serious. Another correspondent told me that it wasn't the actual number of booths at PDAC that was the measure of success (or failure) it was the width of the aisles. Apparently the organizers, in recent years, have been spreading the aisle widths to disguise the fact that there aren't as many booths as previously.

## **Silver – Fluctuating Relations**

My paean to the virtues of silver largely went over the heads of the tin-foil hatters (isn't that what tin-foil hats are for?). My feeling back then (February) still remains unchanged that silver is destined to outperform gold over the next few years. This is not tin-foil hattery but rather the advantage that silver gets from its industrial applications combined with the fact that so much of the production is silver/lead byproduct credits and many of that class of mine are currently being mothballed or terminated.



At least the first half of this year saw silver quite strongly outperform though it tracked gold more closely in the second half.

## **TSX-V Goes Where Even Star Trek Won't Go**

In May we published our piece on the Toronto Venture Exchange nearing its own event horizon. Things have played out as we predicted but strangely the TMX, at least publicly, seems unconcerned. Recent months have seen not just desperate juniors going under but most startling were the departures of two REE stories from the Exchange (Frontier Rare Earths and Rare Earth Elements) both citing lack of liquidity and lack of investor interest. While some of that complaint could be REE-specific it echoes comments that many others have made.



It could actually be that the TSX secretly wishes it had not bought the Vancouver Stock Exchange in the first place and sees the winnowing of listed juniors as a Darwinian way of “cleaning up the marketplace”. It would certainly be more honest to just come out and say that they were demerging the VSE and setting it off on its own path than presiding over a long and ugly financial starvation of the junior universe. Demerger NOW, we say!

## **Conclusion**

The old Confucian curse goes “May you live in interesting times”. Mining investors may be wondering what they did to deserve being so cursed. The year gone by, 2015, has made liars of almost everyone, with even bears not imagining how bad it might become.

We could wish everyone a dull 2016, but that is not what we are hoping for.. dull might imply limited chances of a rebound and I hope that the vibe I have emitted in recent weeks has made clear that sometime, somehow various metals will start to stick their heads above the parapet as supply/demand issues start to work their way into the pricing equation. So bring on the “interesting times”.