

# InvestorIntelReport: More technology metals, Australia chaos, silver soars, lithium grows



*InvestorIntel* is introducing *InvestorIntelReport* as a regular weekly feature, identifying developments and trends that you might find useful.

We know about lithium, we know about cobalt – but now, apparently, we have to consider nickel and cobalt as technology metals also.

Capital Economics in London says the four metals will all be the key beneficiaries of the expected 20 million electric vehicles that will be on the world's roads in 2020. It notes that three major car makers, Tesla, Chevrolet and Nissan, have recently announced plans to begin selling long-range, affordable electric vehicles (EVs). Analysis indicated that

this could potentially be a game-changer for the global auto market as it could finally push EVs into the mainstream.

Demand for copper, used in car wiring, could rise. Because an electric motor is used as the primary propulsion source, these vehicles have a much higher copper content than the conventional vehicle. EVs use about 60kg of copper per vehicle, three to four times as much as for the equivalent internal combustion car.

Capital quotes a Bloomberg New Energy Finance report that estimates EVs will use about 927,000 tonnes of copper a year by 2030, equivalent to about 4% of global refined output now. In fact, the transport sector is expected to become the fastest growing source of demand for the red metal.

As for nickel, as well as being an essential element of most lithium-ion batteries, the metal is also used in nickel-metal hydride batteries; in fact, the latter are often the preferred option for hybrids owing to their proven durability, stability and safety, says Capital. "According to Norilsk Nickel, the largest producer of nickel, demand for the metal from the auto industry is set to rise from about 30,000 tonnes in 2014 to more than 100,000 tonnes in 2020."

And on cobalt, a story that has been extensively (and intensively) covered here on InvestorIntel, Capital reports that "industry sources estimate that demand for cobalt could soar by more than 60% over the next decade as EVs become increasingly popular".

### **First Trump, then Brexit and now Australia**

As Canadian conservative commentator (and occasional stand-in for Rush Limbaugh as host of the latter's US radio program) Mark Steyn commented last week, "it's a lot easier for the base to get itself a new elite than for the elite to find itself a new base".

Donald Trump and the Brexit victory in Britain showed that many voters are abandoning "politics as usual". Now Australia has underlined that trend with 22.8% of voters opting to vote for minor parties in the federal election held on Saturday.

In 2007, when the Liberal-National coalition was voted out, the preceding 11 years had seen the government of John Howard pay back the entire national debt, leaving Australia debt-free. But in the past nine years, reckless spending by both major political groups (Labor 2007-2013, Liberal-National since 2013) has seen official debt soar.

Just when the country needs restraint, a lacklustre campaign by Prime Minister Malcolm Turnbull has resulted in a situation where there is unlikely to be a government able to take any important measures. It seems Turnbull will not get the 76 seats in the House of Representatives he needs to command a majority (he went into the election with 90), and either he or Labor leader Bill Shorten will have to rely on independents to get legislation through the lower house.

And then that same legislation has to go to the Senate where neither major party has anywhere near a majority after Saturday, with an expected nine Green senators and 12 from minor parties, including senators from the two poorest states, Tasmania and South Australia, who will be seeking big spending for their constituents, and anywhere between one and four senators (we won't know for maybe a month, thanks to Australia's bizarre preferential voting system) from One Nation with their protectionist and anti-Muslim agenda.

As of Monday afternoon in Sydney, the prevailing view is that even if Turnbull manages to form a government, he will not last long as Liberal party leader. It's a mess.

### **Silver outshining gold**

The white metal is putting on a stirring performance having hit \$21/oz (On Monday trading in Asia it's at \$20.23/oz). In a

month, the metal has gained 20%.

InvestorIntel has long made the point that silver is sitting in a position of strength. While retaining its role as a precious metal (just look at silver coin sales in the US), its growing role as a technology metal is providing a strong base for demand. Growing recognition of this fact should see the metal's price remain firm.

### **Many more lithium players may be on the way**

Well, that's if Canada's *Financial Post* is right. The newspaper points out that there are now about 100 lithium exploration companies listed on stock exchanges (most will be Canada and Australia). But that's only about a quarter of the number of listed uranium hopefuls that sprung into life in 2007 when that mineral was in its frenzy phase so, the implication seems to be, if history is any guide then we have not finished seeing new entrants trying to ride the lithium wave. By the way, the *Post* reminds us that, while Elon Musk has labelled lithium as the "new gasoline", back in 2007 uranium was expected to take over from coal and other fuels as the primary source of electric power.

Meanwhile, the *Prague Daily Monitor* reports that the Cinovec lithium deposit near the German-Czech border is to be developed. Well, yes, but you have to read down the item to find that the date for this event is expected to be 2022. The deposit is near the town of Dubi, which the *Central Europe Review* notes is known for its "girls and garden gnomes"; the former reference is apparently to the town's generous sprinkling of brothels and nightclubs, which at least will keep the mine workers happy. I can shed no further light on the interest in garden gnomes.