

Coronavirus spells a rough period ahead for metals



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The COVID-19 pandemic and its effects on [the markets](#) has been described as a once-a-century event, which in this case is leading to metals prices tumbling and mining operations around the world being halted due to emergency declarations from national governments.

Exploration projects and construction works have also been put on pause or slowed down, particularly in [Peru](#) and [Chile](#).

BNamericas talked with Chris Berry, energy metals strategist at New York-based consultancy House Mountain Partners to find out more about the global copper and lithium scenario and what investors should do.

BNamericas: How do you see the global copper and lithium scenario amid the spread of COVID-19?

Berry: Obviously the entire market is frozen – from stocks, to bonds, to commodities. The collapse in the copper price is largely due to fears about a halt to economic growth currently and perhaps through 2020 thanks to the mishandling of the coronavirus.

Insufficient demand for all commodities, not just copper and lithium, spells a very rough period ahead for the metals.

I suppose that the upside is that low pricing will flush out inefficiencies in the markets and create buying opportunities, but this is not going to happen soon.

BNamericas: Do you think that South American countries like Chile, Peru and Argentina will be more affected given the importance of their mining industries?

Berry: These countries will all be affected in different ways, but low metals prices will absolutely harm their growth prospects going forward.

Until we can get a clear picture of true demand, emerging market investing will be challenging. In addition to this, the strong US dollar presents a host of problems for these countries who have issued USD-denominated debt and must pay interest and principal back in their devalued home currencies.

BNamericas: Do you have any numbers on how much copper and/or lithium production could be impacted?

Berry: No, sorry. This all depends upon how the response to the coronavirus is managed and how quickly China can remain as the major buyer for these commodities such as lithium and copper.

BNamericas: Is the COVID-19 situation unleashing a new commodities crisis? Could this situation change the way that the mining and metals industries work?

Berry: If commodity pricing stays lower for longer and consumer demand doesn't resurface, you will see a number of explorations, development and producing mining companies merge to survive or go out of business. The tough times ahead should help to create a more disciplined and capital-efficient mining sector, which is a good result from the current crisis.



BNamericas: What should investors do now?

Berry: We are witnessing a once-in-a-hundred-year event, so it's difficult to know exactly what to do. Conserving cash and finding opportunities that can survive at lower commodity prices is an obvious tactic. Also, finding opportunities that help companies, regardless of sector, lower their production cost is perhaps a wise move as well.

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