



Philequity Corner (February 25, 2019)
By Wilson Sy

Gold and industrial metal prices surge

During the Q&A of Philequity's investor briefing last February 9 at the Meralco Theater, we received questions about gold, copper and our views on the Philippine mining sector. We explained that the mining sector remains an important source of economic growth for our country. The Philippines is one of the most mineral-rich countries in the world with over \$1trillion worth in reserves, which includes gold, copper, nickel, aluminum, and chromite.

Precious metals rally on dovish Fed

Metal commodities have rallied sharply in recent months after Fed Chair Jerome Powell promised to be patient and sensitive to economic data about monetary policy. Investors have also turned more bullish on the metals market, in general, on the back of a potential trade deal and China's move to provide more stimulus measures to its economy.

Gold traded as much as \$1,346 per oz., nearing the higher end of its 5-year price range. Gold prices are up 4% year-to-date and 12.6% from the lows registered in 2018. Silver now trades at \$16.01 per oz. and are up 14.3% from the lows recorded last year.



Palladium stands out

Among precious metals, palladium stands out. Prices of this rare metal touched a record high of 1.500 per oz. last Wednesday before pulling back to \$1,462.2 per oz. to end the week. Palladium prices are up 15.9% year-to-date and 73.2% from 2018 low. Scarcity in palladium due to increasing demand from the auto sector caused the metal to surge to record highs this year. Palladium has benefited from the switch from diesel engines towards hybrid electric vehicles.

Palladium Price (\$/oz)



Industrial metals bottoming out

Seasonally strong demand coupled with low inventories has propelled nickel and copper prices by 20% and 12% year-to-date, respectively. Nickel prices are already up 21.8% from 2018 lows while copper prices have gained 15.2% from last year's lows.

Copper Price (\$/lbs)



The new mining bill and the copper roadmap

Congress is in the final stages of approving the new mining bill that sets out new sharing agreements and other rules for mining. The DTI also recently passed a 10-year copper development roadmap which calls for the development and support for the four largest copper projects in the country.

As we stated in our investor briefing, we believe that tourism and mining will help augment the slowing growth in BPO revenues and OFW remittances, our primary sources of dollars. This is of vital importance to the improvement of our current account balance in the future.

Philequity Management is the fund manager of the leading mutual funds in the Philippines. Visit www.philequity.net to learn more about Philequity's managed funds or to view previous articles. For inquiries or to send feedback, please call (02) 689-8080 or email ask@philequity.net.