PRESS CUTTINGS

Ogos 2019
Issue 08/2019

COMPILED BY:
NUR SARAH OTHMAN
Geoscience Officer

MOHD ZAM BIN AMIN
Geoscience Assistant

Dangers of rare earth processing are exaggerated

PM: We can't cast out Lynas
'Rare earth plant has created high-quality job opportunities'

HEAD OF UNIT/SECTION:
HANIZA BINTI ZAKRI
Principal Assistant Director
(International Trade)

AZEMI BIN HJ EKI
Director (Mineral Economics)

MINERAL ECONOMICS SECTION
DEPARTMENT OF MINERAL AND GEOSCIENCE MALAYSIA

Ibu Pejabat, Aras 9, Menara PjH
No.2, Jalan Tun Abdul Razak, Presint 2
62100 Putrajaya

Tel : +603 – 8871 6000
Fax : +603 – 8871 6145
+603 – 8871 6148
Website : www.jmg.gov.my

FOR INTERNAL USE ONLY

CONTENTS

Part 1:
Metallic Commodities

Part 1:

METALLIC COMMODITIES

Source : Starbiz
Date : 01 August 2019 (Thursday)

Gold bulls look beyond Fed

Bullion trades near six-year high as global risks proliferate

NEW YORK: Gold bulls are betting there's more to the metal's rally than rates.

Bullion is on its way to a third straight monthly gain, trading near a six-year high as central banks signal easier monetary policy. The Federal Reserve is expected to cut US interest rates by a quarter percentage point. Gold analysts and traders are looking for affirmation from Fed chairman Jerome Powell that further reductions are in store to justify the run-up, with some saying the precious metal may have gotten ahead of itself.

"The market can easily pull back in the wake of a cut without the overall gold rally being altered, and that's quite likely," said James Steel, chief precious metals analyst at HSBC Securities (USA) Inc. "Trade issues are probably still going to be supportive. The general geopolitical background is supportive, and we could see some financial market volatility, which would likely be helpful for gold" on safe-haven buying.

With spot gold trading near US$1,431 an ounce hours ahead of the Fed's decision, the following points show the broader bullish case for owning bullion:

Haven demand

Gold is benefitting as signs of slowing economies fuel demand for the metal as a haven asset. There are signs that things could get worse before they get better for global growth. The International Monetary Fund further reduced its outlook, already the lowest since the financial crisis, saying the projected pickup in 2020 is "precarious." Singapore may underscore the IMF's case, with economic data deteriorating in the export-reliant country, raising the risk of a recession in the former tiger economy.

A Fed Bank of New York gauge puts the risk of a US recession in the next 12 months at the highest since 2008, and Societe Generale SA says bullion provides a bulwark against a recession next year sparked by trade wars and a slump in corporate-profit growth.

Industrial-strength weakness

Economies worldwide are under continued strain from slowing industrial demand. China's purchasing managers' index on Wednesday remained in contractionary territory as pressures on exporters persist. A similar gauge in Europe slipped last week, driven by shrinking factory output in Germany and France.

"Powell, talking about what's going on with growth, said it's more than just trade, that there's something else going on," Lakshman Achuthan, co-founder of the Economic Cycle Research Institute, said in a Bloomberg TV interview earlier this month. "From our vantage point, it's all about a cyclical downturn in industrial growth, including China. And it's not over in China. That industrial downturn is continuing."

Haven asset: A pedestrian walking past a window displaying a representation of a gold bar at a bullion broker in Piccadilly, London. Gold is benefitting as signs of slowing economies fuel demand for the metal as a haven asset. — Reuters

Comfort in conflict

Gold in June posted the biggest monthly advance since the United Kingdom voted to leave the European Union three years ago. Concerns over Brexit continue to fester. A host of other potential trouble spots are now adding to the global acrimony, keeping investors awake at night. Those include unrest in Hong Kong, tensions over the Strait of Hormuz, and global trade frictions showing signs of spreading beyond the Trump-China fracas.

Bullion's gains have come even amid strength this month in the dollar, which can often diminish the appeal of the metal.

"It's because there's a high level of uncertainty," HSBC's Steel said. "There are many improbables that I think a lot of the market can't get a grip with, and in a case like that, increasing your gold holdings is probably a judicious thing to do because it is one of the few things you can buy that is liquid and is on nobody else's credit."

Earlier this month, hedge funds and other large speculators boosted their bullish position in US gold futures and options to the highest since September 2017, government data show. Billionaire investor Ray Dalio, the founder of Bridgewater Associates, said in a LinkedIn post that he sees a "paradigm shift" in investing coming in the next few years.

Assets "that will most likely do best will b those that do well when the value of money being depreciated and domestic and interna tional conflicts are significant, such as gold Dalio said in the post.

Set to cool?

Not all investors are convinced gold's rall will stick after the Fed's decision.

John LaForge, the head of real asset strat gy at Wells Fargo Investment Institute, whic oversees US$1.9 trillion, said he's expectin prices to cool because the market "is bakin in too much negative-yielding debt in th future".

"I believe that Fed rate cuts are built int the price of gold and that it is overvalued LaForge said by phone. "If the Fed disa points, or even if gold buying backs o because Fed cutting is now in the cards. I suspect that gold will back off to the mi US$1,300s and reset investor expectations."

Kristina Hooper, chief global market strat gist at Invesco Ltd., which oversees US$1 trillion, said that while the gold market "ma be getting ahead of itself," she remains pos tive on the metal.

"When central banks are looking to bu assets, they are running out of options," sh said in an interview. "It's like the perso who's got everything: what to get the centr bank that's bought everything? Gold is still a asset class they will look to." — Bloomberg

Source : Starbiz
Date : 01 August 2019 (Thursday)

Press Metal enters power purchase deal with Sesco

PETALING JAYA: Press Metal Aluminium Holdings Bhd, the largest aluminium producer in South-East Asia, has entered into a power purchase agreement (PPA) with Syarikat Sesco Bhd, a wholly owned subsidiary of Sarawak Energy Bhd.

In a statement yesterday, Press Metal said the signed PPA provides long-term access of up to 500MW of electricity for a 15-year period.

Some 300MW will commence upon the first drawdown by October 2020 and the balance 200MW is to be made available on a reasonable endeavour basis by Sesco.

"With this, Press Metal plans to construct a proposed third aluminium smelter in Samalaju Industrial Park, Sarawak, which will potentially increase its total smelting capacity up to 1,08 million tonnes per annum upon full power drawdown, from the current 760,000 tonnes per annum. This will further enhance Press Metal's position as the region's largest integrated aluminium producer and a key global player in this industry," said Press Metal.

In the statement, Press Metal's chief executive officer Tan Sri Paul Koon expressed gratitude for the opportunity to increase its participation in the Sarawak Corridor of Renewable Energy.

"With this, we will commence construction of the third smelter on our existing land bank at Samalaju Industrial Park, which will share common facilities with two of our other existing phases. We anticipate to contribute to the state economically and socially by creating more local employment opportunities," said Koon.

Koon added that Press Metal had a proven track record of commissioning its smelters on schedule and is confident of repeating this for the new smelter.

"The total investment cost of the project would be roughly similar to our previous phases and we may tap into the debt market to fund our expansion," he said.

"Aluminium being the emerging metal of choice with its green characteristics has the potential to further replace traditional materials. The long-term prospects are promising as we foresee wider applications across multiple industries. As such, we expect the expansion to contribute positively to our future earnings," said Koon.

Source : Starbiz
Date : 06 August 2019 (Tuesday)

Iron ore bulls take to their heels as futures plummet below US$100

SINGAPORE: Iron ore has gone from high-flier to sinking star in a matter of weeks.

The commodity that lit up the first half with a stunning rally dropped back below US$100 a tonne as supplies pick up, mills' profitability falls and investors dump raw materials amid the escalating trade war.

Futures in Singapore fell as much as 8.6% to US$94.32 a tonne, while the contract on the Dalian Commodity Exchange extended losses after entering a bear market last week. Miners' shares retreated, with markets focused on the consequences of China allowing the yuan to weaken to the lowest in more than a decade.

Iron ore's fortunes have shifted as the drivers that aided first-half gains – a supply squeeze coupled with booming demand – have weakened. Brazil's Vale SA has been restoring more capacity after its dam burst, with exports rebounding.

At the same time there are headwinds to consumption in China as the trade war rumbles on, with a gauge of mills' profitability turning negative, and the yuan sinking beyond seven per dollar for the first time since 2008. Iron ore is "past its peak pricing after the Vale event this year sent it into the clouds," David Lennox, an analyst at Fat Prophets, said from Sydney. The yuan's drop "feeds into the concerns about economic growth," which are ultimately driven by uncertainty around US-China trade relations.

The trade war between Washington and Beijing has dented investors' appetite for raw materials, and the rise in tensions comes on the heels of data highlighting a manufacturing slowdown in key markets.

Global steel output dropped in June from a month earlier, with declines seen in nations including China, Germany, the United States and India, according to the World Steel Association. "We are outright bearish on demand," Marex Spectron Group analyst Hui Heng Tan said. Mills' margins have taken a turn for the worse, construction activity is facing a slowdown and steel inventories are higher, he said. —Bloomberg

Source : Starbiz
Date : 06 August 2019 (Tuesday)

Dangers of rare earth processing are exaggerated

CHINA's Chairman Deng Xiaoping (1904-1997) once said, "The Middle East has its oil, China has rare earth." In 1987, he predicted that one day, rare earths will replace oil in lubricating the world's economy – an economy driven by sustainability where fossil fuels were no longer critical.

Finding solutions to the climate change dilemma is a key global agenda. All the polls show there are more believers in climate change than deniers now, even in the United States. Globally, countries have embraced low-carbon economic development policies.

In Malaysia, we have created a ministry to tackle climate change. In fact, Kuala Lumpur has announced plans to become a low-carbon city. Kudos to the government. I hope this will be reflected in the 12th Malaysia Plan.

The much talked-about Industry 4.0 (aka the Fourth Industrial Revolution) is also a global approach to supporting a sustainable fossil-fuel-free economy. There is no stopping the deployment of robotics, artificial intelligence and digital technologies in the coming years.

And as predicted by Chairman Deng, rare earths are now critical to this new economy. Many of the devices and components of Industry 4.0 need rare earth elements. The production of super magnets is another growing sector in which rare earths are critical. No wonder China gives these elements such high priority. At the moment, it dominates global supply.

In the early years, rare earth extraction and processing was haphazard, and issues of public and environmental safety were largely ignored. This created serious environmental problems that were highlighted by the Western media.

Things have changed. Now China enforces very strict environmental and safety regulations, pushing rare earth processing plants to change the way they operate.

Not many countries have large deposits of rare earths like China. The only other country with reasonable quantities is Australia. However, economics does not favour Australia when it comes to processing rare earths. It would be economically better for processing facilities to be closer to countries such as Europe, Japan and the United States where demand for these elements is high.

This is why Australia chose to site one of its processing plants in Malaysia, apart from the attractive investment package.

Lynas is the biggest rare earths processing facility outside China. According to US expert Jack Lifton (a guest at the Academy of Sciences Malaysia), the facility at Lynas is in a class of its own. In meeting international standards for public safety and environmental well-being, Lynas stands above all others, winning awards for efficiency and safety.

Since rare earths are so in demand by the global economy, the business of their extraction and processing is politicised.

In the ongoing trade war between the United States and China, it has been reported that rare earths offer China a bargaining chip. Especially as some rare earths are critical in weapons development. The European Union countries and Japan also worry about supply cuts. In the EU, there is active research to find alternative materials and Japan is exploring the marine environment for rare earth deposits.

While others are concerned about rare earth supply cuts, we seem oblivious to the opportunities. Instead of thinking of how to best gain from the supply right on our doorstep, we keep arguing about how to deal with Lynas.

It is time we admit the fact that rare earths processing is not a threat to public safety, as exaggerated by some.

I have always said that the only way to convince critics is to arrange visits to China's plants. Or if they prefer somewhere closer, go to Paris and visit La Rochelle where a 25-year-old rare earth plant is operating right smack in a tourist area!

PROF DATUK DR AHMAD IBRAHIM
Fellow, Academy of Sciences Malaysia
UCSI University

Source : Starbiz
Date : 07 August 2019 (Wednesday)

Iron ore collapses into bear market

SINGAPORE: Iron ore just got hit by an abrupt reversal of fortunes. The commodity that soared in the first half after a supply squeeze is getting pummelled early in the second as the US-China trade war morphs into a currency battle, supplies pick up and signals suggest softening demand.

Futures in Singapore fell – dropping even after China set its currency fixing stronger than expected – to reinforce expectations they will join spot prices and the contract in China in a bear market. On Monday, spot ore collapsed to US$99.50 a tonne, more than 20% lower than the five-year peak last month.

The steel-making commodity has fallen out of favour amid a broader slump in metals as the trade war escalates. The Trump administration formally labeled China a currency manipulator after the country's central bank allowed the yuan to drop beyond a key level on Monday. In addition, iron ore is getting undermined as global supply is expected to improve, mainland port stockpiles are rebounding, and a gauge of mills' profitability has turned negative.

Bulk commodities have been "battered by the rising trade tensions," Australia & New Zealand Banking Group Ltd. said.

The tensions have hit when signs of rising supply are worrying the market, it said, referring to Vale SA's plan to bring back more of the capacity that was suspended after a dam burst.

On the Singapore Exchange, ore for September was 1.2% lower at US$94.68 a tonne. — Bloomberg

Source : Starbiz
Date : 08 August 2019 (Thursday)

Gold tops US$1,500 as investors seek shelter from gathering storm

SINGAPORE: Gold futures rallied above US$1,500 an ounce on sustained demand for the traditional haven as the US-China trade war festers, global growth slows and central banks around the world ease monetary policy.

The metal advanced as much as 1.3% to US$1,503.30 an ounce on the Comex, the highest since 2013. The move extends this year's climb to 17%, with gains underpinned by inflows into exchange-traded funds.

Central banks in India and New Zealand both surprised markets yesterday with bigger-than-expected interest rate cuts, boosting speculation others will follow. The Bank of Thailand also cut interest rate by a quarter percentage point. Silver surged.

Gold has been one of the chief beneficiaries of the turmoil in global financial markets as Washington and Beijing spar over trade.

In recent days, the Trump administration threatened fresh tariffs against Chinese goods, the yuan was allowed to sink, and the US branded China as a currency manipulator. The stand-off has boosted the odds of more easing from the Federal Reserve.

"Gold is serving its traditional role as a safe-haven asset," said Wayne Gordon, executive director for commodities and foreign exchange at UBS Group AG's wealth management unit.

Under the bank's risk case, marked by a further escalation of the trade fight, prices could go as high as US$1,600, he said.

Futures traded at US$1,497.80 an ounce at 7:55am in London yesterday, gaining for a fourth day. Miners' shares climbed in Sydney, with Newcrest Mining Ltd jumping as much as 4.4% while Evolution Mining Ltd added as much as 7%.

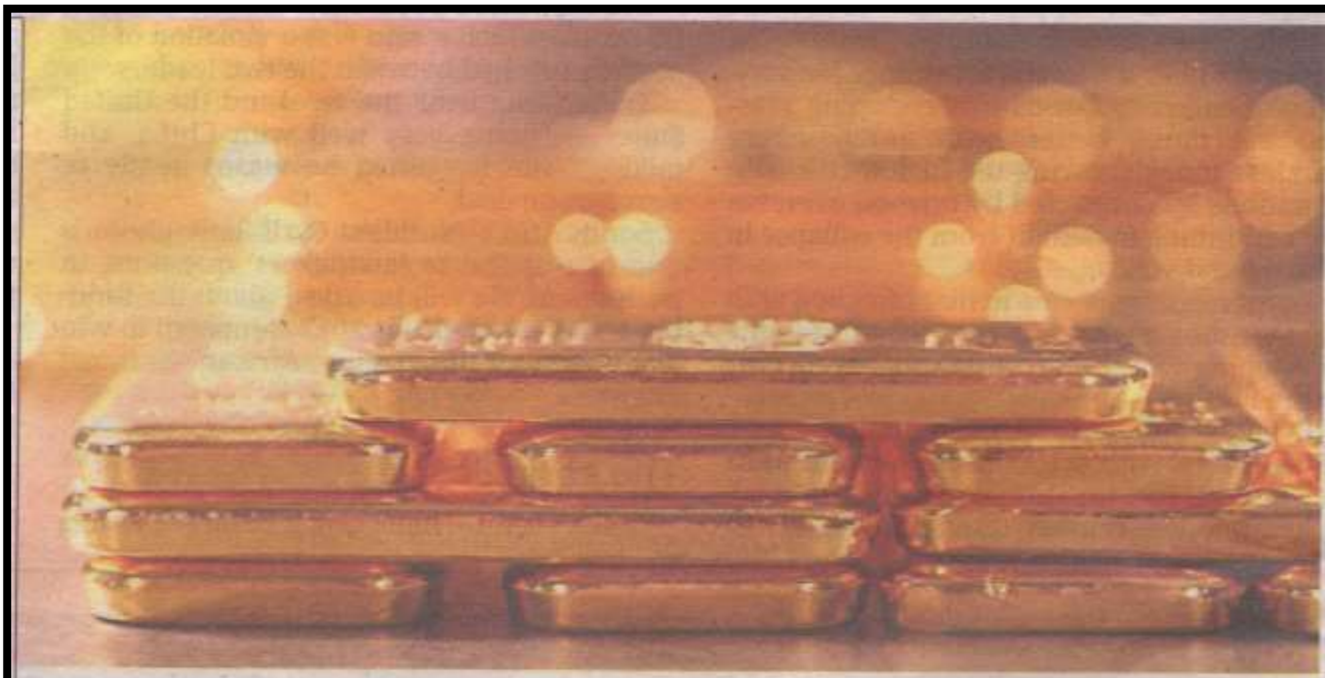
Silver, gold's cheaper cousin, also surged. Spot prices rallied as much as 2.2% to US$16.80 an ounce, the highest in more than a year.

Last month, the Fed reduced borrowing costs for the first time in more than a decade, responding in part to the impact of the trade war. Lower rates boost the appeal of non-interest-bearing bullion. Goldman Sachs Group Inc expects a total of three US rate reductions this year.

Yesterday, New Zealand's Reserve Bank shocked markets with a half-percentage point interest-rate reduction, while India's central bank also delivered a bigger-than-expected move. — Bloomberg

On the rise: A goldsmith arranges gold wristbands at his shop in Baghdad. The metal advanced as much as 1.3% to US$1,503.30 an ounce on the Comex, the highest since 2013. – Reuters

Source : Starbiz
Date : 20 August 2019 (Tuesday)



Rising demand: Singapore is seeing an increase in demand for gold storage from new clients, even when they are based in Hong Kong or mainland China.. — Bloomberg

HK unrest sends gold investors to seek haven in Singapore

SINGAPORE: Escalating political turmoil in Hong Kong is spooking some gold investors.

J. Rotbart & Co, which helps customers buy, store and transport precious metals, says they have seen an increase in demand for gold storage in Singapore from new clients – even when they're based in Hong Kong or mainland China.

In the last 10 weeks, the breakdown of requests has skewed to around 75% for Singapore and 10% for Hong Kong, compared with a split of about 50-35 previously, said Joshua Rotbart, who runs the bullion house, which services high net-worth individuals, from Hong Kong.

Protests that started in early June against a bill easing extraditions to the mainland have morphed into a broader stand against China's rule over the financial hub. Demonstrators forced the city's international airport to shut last week, and fears have grown that Chinese troops from the People's Liberation Army may be deployed to restore order, a move that could risk an international backlash and irreparable harm to the city's economy.

"Some clients are afraid of PLA intervention in Hong Kong, or of another closure of the airport, which will make it difficult to move their gold out of the city, as gold is shipped on commercial flights," said Rotbart.

The city's financial rivalry with Singapore is a feature of modern Asia but stretches back to their shared colonial past under British rule. Rotbart operates in both and also has an office in Manila. Rising violence in Hong Kong is likely to undermine investment there, according to Bloomberg Intelligence, with Singapore a probable beneficiary. — Bloomberg

Source : Starbiz
Date : 20 August 2019 (Tuesday)

Gold jewellery exports seen flat

Value of shipments estimated at RM5.89bil

By DAVID TAN
davidtan@thestar.com.my

GEORGE TOWN: Gold jewellery exports are likely to stay flat at RM5.89bil this year.

Penang Goldsmith Association (PGA) adviser Joeson Khor told *StarBiz* that the price of gold shot up too high within a short period.

"In June, the gold price per ounce was US$1,332. Now it is US$1,524 per ounce, a 14.5% increase from June.

"Wholesalers in Dubai will have to pay more for gold bars to be used in exchange for Malaysian-made gold jewellery.

"For this reason, they would rather wait for the gold price to stabilise before buying," Khor added.

From January to May 2019, Malaysian gold jewellery exports hit RM2.82bil, compared with RM2.17bil for the same period a year ago.

In 2018, the value of Malaysian gold jewellery exports was RM5.89bil against RM6.06bil in 2017.

The top buyers of Malaysian gold jewellery products in the first five months of 2019 were the UAE, Singapore and Hong Kong.

"We expect the gold price to go up to around US$1,700 per ounce by the end of the year.

"The support level of the gold price is at US$1,200 per ounce and should not drop below that. This means the total cost of producing an ounce of gold, which includes mining and processing, is US$1,200 per ounce," he added.

From January to May 2019, Malaysia imported RM1.03bil worth of gold jewellery compared with RM0.53bil in the same period of 2018, according to Malaysia External Trade Development Corp statistics.

About 80% of Malaysian gold jewellery exports come from Penang-based manufacturers and exporters.

Khor said more than 60% of the 650 PGA members were small and medium-sized companies with an annual turnover of less than RM25mil.

Public Gold Marketing Sdn Bhd executive chairman Datuk Louis Ng said the recent cut in US interest rates by 0.25 basis points triggered the sudden spike in the gold price.

"The cut in interest rates lowered the holding cost of gold and prompted those who relied on interest rates to generate an income to turn to gold investment.

"The US-China trade war and tensions in the Middle East also played a role in gold price spikes," he said.

The gold price hit US$1,900 per ounce in 2011.

"We believe that the gold price should settle at around US$1,600 to US$1,700 by the end of 2019. Usually, when the gold price reaches US$1,570 per ounce, there would be pressure to sell.

"Those who bought gold bars earlier are now making money. We are seeing a lot of gold bar trading activities now.

"Many investors are also buying gold bars lest the price of gold shoots up further," Ng said.

Ng said Public Gold looked to generating RM400mil for the 2020 financial year ending next March, compared to a RM200mil turnover in 2019.

According to a recent World Gold Council (WGC) report, the gold price has broken through US$1,400 per ounce for the first time since 2013.

"Among the factors driving this rally are expectations of lower interest rates and political uncertainty, with further support coming from strong central bank buying," the report says.

According to WGC, central banks bought 224.4 tonnes in the second quarter of 2019, which increased the buying in the first half to 374.1 tonnes, the largest net first-half increase in global gold reserves in WGC's 19-year quarterly data series.

The report added that holdings of gold-backed exchange-traded funds (ETFs) grew 67.2 tonnes in the second quarter to a six-year high of 2,548 tonnes.

"The main factors driving inflows into the sector were continued geopolitical instability, the expectation of lower interest rates, and June's rallying gold price.

"A strong recovery in India's jewellery market pushed demand in the second quarter up 12% to 168.8 tonnes. A busy wedding season and healthy festival sales boosted demand before the June price rise brought it to a virtual standstill.

"Gold supply grew 6% in the second quarter to 1,186.7 tonnes. A record 882.6 tonnes for the second quarter gold mine production and a 9% jump in recycling to 314.6 tonnes – boosted by the sharp June gold price rally – led the growth in supply.

"The first-half supply reached 2,323.9 tonnes – the highest since 2016," the report said.

Source : Starbiz
Date : 27 August 2019 (Tuesday)

PM: We can't cast out Lynas

'Rare earth plant has created high-quality job opportunities'

By HEMANANTHANI SIVANANDAM
hemananthani@thestar.com.my

KUALA LUMPUR: Rare earth producer Lynas Corp cannot be treated as an outcast as it is a necessary investment that has created many quality jobs for the country, says Tun Dr Mahathir Mohamad.

The Prime Minister said Lynas was invited to invest in Malaysia as it brought in investment and created many job opportunities.

He said the government had also sent scientists to examine the operations of the plant in Gebeng, Pahang, and found there was no danger.

"But the people who are against Lynas still want to get rid of Lynas. It is a big investment – RM1.7bil.

"It created 700 jobs, high quality paying jobs. It is necessary for our investment.

"If you treat Lynas like a pariah, and ask them to leave this country, we will not get other people to come to this country to invest," he said on the sidelines of the World Tourism Conference here yesterday.

Dr Mahathir also denied claims by the anti-Lynas group which speculated that the Cabinet's decision to renew Lynas's operating licence for another six months was due to his close relationship with the Japanese government.

"It has nothing to do with Japan," said the premier.

On Aug 18, anti-Lynas protesters showed up at Taman Gelora in Kuantan to protest the Cabinet's decision to renew the rare earth producer's operating licence.

In June, Lynas signed a 10-year loan extension on easier terms with its long-term Japanese backer, which would increase its commitment to supply rare earths to Japanese consumers.

The extension to 2030 to repay US$147mil will help Lynas follow through on its 2025 expansion plans.

Meanwhile, Malaysia is studying another offer of a samurai bond from Japan.

Separately, Dr Mahathir brushed off claims that Pakatan Harapan would break apart due to internal squabbling.

He also denied claims that he was "alone" in his leadership, given widespread chatter that PKR leader Datuk Seri Anwar Ibrahim and DAP stalwart Lim Kit Siang were actively undermining his leadership.

"You can see whether I am walking alone or not. I am walking everywhere, and everywhere I go, people come to shake hands and express their support.

"But even in the party, you can see that this Cabinet has stayed together and has been able to make decisions, even on critical issues," said Dr Mahathir when asked to comment on Barisan Nasional chairman Datuk Seri Dr Ahmad Zahid Hamidi's remark that Pakatan would break apart from "political gangrene" due to squabbling.

Ahmad Zahid said the coalition was dying a slow death due to internal as well as intra-party power struggles.

The Umno chief believes that Pakatan would fall in the next general election as people had become unhappy with the coalition for failing to fulfil its election promises and address economic woes.

Press Cutting
Issue 08/2019
August 2019
(**For internal use only**)

by;

MINERAL ECONOMICS SECTION

JABATAN MINERAL DAN GEOSAINS MALAYSIA
DEPARTMENT OF MINERAL AND GEOSCIENCE MALAYSIA
Ibu Pejabat, Aras 9, Menara PjH
No.2, Jalan Tun Abdul Razak, Presint 2
62100 Putrajaya

Tel : +603 - 8871 6000
Fax : +603 - 8871 6145
+603 - 8871 6148
Website : www.jmg.gov.my