

Rio Tinto PLC

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Iron ore hits a one-year high, and share prices follow

The iron ore price has hit a one-year high on expectations of a market deficit for 2020, as Chinese demand sucks in supply.

Iron ore futures rose 3.2% to US\$112 per tonne on the Singapore Exchange on Monday, the highest level they've traded at since August 2019, according to data provided by Bloomberg.

The price strength comes as China posted strong PMI numbers for July, showing significant growth in its manufacturing sector, and reflecting too a willingness on the part of government to spend on big projects as part of a general effort towards economic recovery in the wake of the coronavirus crisis.

Accordingly, Chinese steel mills continue to build-up stockpiles of iron ore, which have risen for the seventh consecutive week, although their overall holdings are still quite low and only represent 30 days of consumption.

It all adds up to a perfect storm for the Australian and African producers and explorers, especially as ongoing coronavirus issues continue to cast doubts over the current production and supply capabilities of Brazil, one of the world's other major producers.

Unsurprisingly, shares in the major iron ore producers Rio Tinto (LON:RIO)(ASX:RIO), BHP (LON:BHP)(ASX:BHP) and Fortescue (ASX:FMG) have been on the move. Shares in Rio Tinto and BHP are both by more than 50% since their coronavirus lows, while shares in Fortescue have more than doubled.

And it's not only at the top end that the benefits are showing through.

Shares in Zanaga Iron Ore Company (LON:ZOIC), which is developing an asset in Republic of Congo, are up by more than 100% since March, helped along by positive newsflow relating to concept studies for infrastructure.

Also on the move are the Canadian companies Black Iron Inc (TSE:BKI), New Millennium Iron Corp. (TSE:NML) and Champion Iron Ltd (TSE:CIA).

Black Iron in particular has been helped along by news that the ongoing conflict in the Ukraine is being wound down a further notch and although the company's Shymanivske project isn't located near the conflict zone, the boost to sentiment has been significant. Black Iron's shares are up 150% since March.

Meanwhile, among UK-domiciled juniors Alien Metals (LON:UFO) has hit a purple patch given its exposure both to iron ore, through Australian projects, and to silver, which has also seen strong price action recently. Alien shares are up by more than 150% since their March lows, and are now trading at around pre-coronavirus levels.

Also exposed to iron ore is Anglesey Mining (LON:AYM), which holds iron ore interests in Sweden and Canada.

Price: 4357

Market Cap: £54.32 billion

1 Year Share Price Graph



Share Information

Code: RIO

Listing: LSE

52 week High Low
5175 2954

Sector: Mining

Website: www.riotinto.com

Company Synopsis:

Rio Tinto is a leading international mining group that finds, mines and processes the earth's mineral resources. The Group's major products include aluminium, copper, diamonds, energy products, gold, industrial minerals (borates, titanium dioxide, salt and talc), and iron ore. Its activities span the world but are strongly represented in Australia and North America.

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Anglesey's shares hit a 12 month high in July, and continue to trade at double where they were during the coronavirus lows.

And Ferrexpo (LON:FXPO) has also seen significant strength, up by 80% since March, although the company continues to be dogged by governance issues and has just appointed as chief executive a man who was responsible for setting the strategy of London Mining, one of the highest profile iron ore failures during the last mining boom.

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