



Investor Guide: **RESOURCE**

February 2020



FREE
**Investor
Guide**

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Table of Contents

03**Gold**

Gold: What's Next for Investor's Safe Haven of Choice?

Contributed by: Jon Brown, Stockhouse Editorial

07**Palladium**

The New Reality for Palladium

Contributed by: Omri Wallach, Stockhouse Editorial

11**Uranium**

Want "Bitcoin in 2017" Gains? Uranium May Be Your Best Bet

Contributed by: Lobbo Tiggre, Founder & CEO, Louis James LLC

15**Copper**

Copper Forecast 2020: Will Demand Exceed Supply?

Contributed by: Dave Jackson, Stockhouse Editorial

18**Diamond**

The Diamond Industry is Off to a Good Start in 2020 Despite Some Lingering Challenges

Contributed by: Paul Zimnisky, Diamond Analytics

22**Silver**

"Silver About To Start A Major Rally?"

Contributed by: Taki Tsaklanos, InvestingHaven

Gold

Gold: What's Next for Investor's Safe Haven of Choice?

CONTRIBUTED BY: JON BROWN, EDITORIAL, [STOCKHOUSE.COM](https://www.stockhouse.com)



Gold is by far one of the most common and popular commodities for investors. Buyers and sellers continue to trade the precious metal through the bullion market along with silver and other derivatives.

After a few “sleeper years” coming off its peak from a decade ago, gold is back to becoming one of the hottest commodities right now and 2020 is projected by many analysts to be a year where its value tracks even higher.

Since mid 2019, gold has sat around \$1,500 USD per ounce, (higher and lower) and some estimates say it could go as high as [\\$1,700](#) in a year's time. There are many factors that affect its price and many reasons investors continue to buy gold, which we will take a look at later.




One of the world's most rare elements, gold makes up just [0.003 parts per million](#) of the earth's crust. [The 2019 GFMS Gold Survey](#) reported that global mine production was 3,332 tonnes in 2018, up 2% from 2017 and is the

largest year-over-year growth in the last four years. Gold is not typically seen as an investment on its own, but can serve as a solid enhancement to diversify a portfolio, along with other commodities. Historically, it has had high peaks and deep lows, which has made it a risky investment for those not closely watching market activity and ongoing events in the news.

For example, during the tenure of US President Donald Trump, gold prices were seen to head lower when he would [Tweet positive comments](#) on trade deals with China during their ongoing dispute. On the other side, as soon as he indicated on Twitter there was some uncertainty over a deal, gold prices [jumped 1%](#) as investors moved to shore up the commodity. This all happened in just over one week's time, proving it to be testy waters for many who are not quick to react, or don't have the patience to wait out turbulence. Which is the right course of action? Is there a right course of action?

Keeping this in mind, there are three key reasons that, regardless of market fluctuations, people keep coming back to gold, because it is:

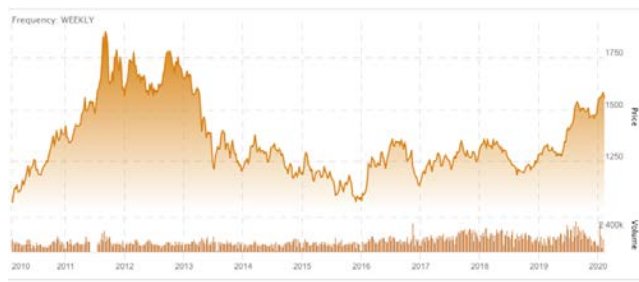
(Gold: What's Next ..., continued from page 3)

-  A direct investment
-  A hedge
-  A safe haven

Let's take a deeper look into each of these practices

Direct investment:

You could have bought gold for around \$300 in 1994, but now it is worth just over \$1,550. This is a gain of 400% over 25-plus years, but a solid and steady 7% increase per year.



(Price of gold in \$US/ounce from 2010 - 2020)

Simply put, if the price increases, it will become more desirable for investors as a source of profit and more people will keep buying it to take advantage of this increase, driving up its value.

There is also a finite amount of gold in the Earth and it does have industrial purposes, as well as uses in medicine, electronics, the aerospace industry and of course, jewelry. Some believe this could lead to [supply constraints](#), which would push its prices even higher.

Governments also store gold in mass quantities. The [US Treasury](#) has famously stored gold reserves at Fort Knox in Kentucky for decades. Selling the gold could disrupt markets. There is a direct connection between the Treasury, gold, bond yields (a return on investment) and

inflation that has an overall effect on the economy. It is a positive relationship between gold and bonds that investors track regularly and you can find out more about this [here](#).

A hedge:

When traders hedge their investments, they want to secure their finances from possible market volatility. This way, they can lessen the impact any turbulence will have on the value of their investment and if it does lose value, the investor will at least know how much they will be losing.

Gold as a hedge can often be used to offset the decline of a currency, such as the US dollar. When the dollar fell 40% from 2002 to 2007, the price of gold [more than doubled](#) from \$347.20 to \$833.75 an ounce.

In 2008, the gold market famously fell drastically, along with all markets in the financial crisis. Gold was being sold aggressively as investors worked to recoup losses elsewhere. During this time, the relationship between gold and stocks became very clear, as traders immediately sold stocks and bought gold, but as stock prices returned to normal, they brought their money back to capitalize on lower prices, but away from gold. However, gold also performed well in 2008 in many respects ...

A safe haven:

Not unlike a proverbial "war chest", gold has become known as a stable reserve for finances during times of crisis. "Safe haven investments" are assets which are expected to increase, or at least retain their value during periods of market volatility. Investors turn to these sources to decrease the odds of exposing themselves to losses should markets take a serious downturn.

Gold prices have traditionally increased in correlation to numerous events over the years, usually in response to financial crises across the globe, be it in the United States, Greece, or the Eurozone.

"At the end of 2019 and leading into 2020, the stars really seem to be aligning for the gold industry and the juniors in particular. We have an improving macro gold price environment, accelerating M&A and the financing window for juniors seems to be opening, all of which bodes very well for the remainder of 2020."

Heye Daun, CEO

Osino Resources Corp. | osinoresources.com

View Quote: V.OSI



“In many industries, an organization’s key asset is its people.

Calibre Mining has an exceptional and diverse group of people focused on responsible business and value creation for its shareholders. When a diverse group of experienced and creative professionals with an aligned goal come together, there is a direct correlation to a successful outcome. At Calibre Mining, our Board of Directors and management have an aligned goal, our team has extensive experience safely leading senior mining companies, creating billions of shareholder wealth and have succeeded in discovering, expanding, developing and producing millions of profitable ounces of gold worldwide.

We embrace change and innovation to help create an aligned team in order to outperform not only our peers but various financial products available in the marketplace today. We are fully invested and aligned with our shareholders - we have over \$10 million invested in Calibre. Calibre Mining is a multi-asset gold producer focused on execution and building sustainable value for our shareholders, communities and stakeholders.”

Russell Ball, CEO & Director

Calibre Mining Corp | calibremining.com

View Quote: T.CXB



(Gold: What’s Next ..., continued from page 4)

Looking at its history, gold was \$869.75 per ounce in the 2008 financial crisis, then during the “[debt ceiling crisis](#)” it soared to its record high of \$1,589.80. Looking ahead, it is projected to possibly hit a new high amid the recent outbreak of the [Wuhan coronavirus](#).

Top gold mining jurisdictions:

One of the most common areas that is referenced on Stockhouse is Red Lake in northwestern Ontario. It is one of the most prolific gold mining districts in the world where roughly 28 million ounces has been produced from 28 mines. Canada has produced 17 tonnes more year-over-year in 2018. There have been a record number of discoveries in Red Lake and Canadian juniors have seen a great deal of success over the past year.

According to data compiled for US Global Investors’ “Frank Talk” article by Frank Holmes, Canada came in as the [5th top gold producing country](#) in 2018 - 2019.

The top 4:

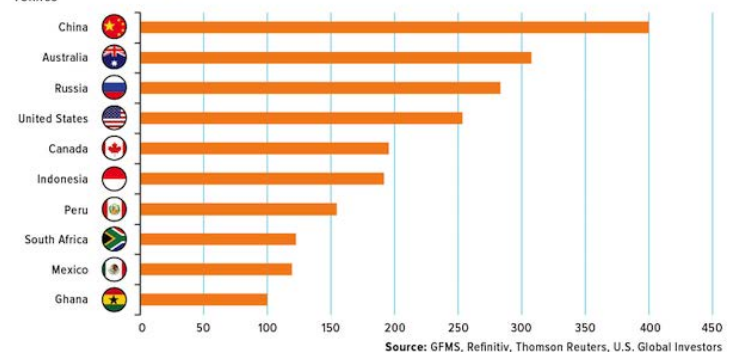
4 - United States – 253.2 tonnes - 78% of US gold produced is from Nevada and output has been on the rise since 2013 with a 10% jump in 2018

3 - Russia – 281.5 tonnes - The source of 83% of European gold and output has increased over the decade with most of the demand coming from the government

2 - Australia – 312.2 tonnes - Has seen an increase for more than the past half decade and the minerals industry produces over half of Australia’s total exports, generating 8% of its GDP

1 - China – 399.7 tonnes - 12% of global mine production, but has been declining due to environment policies enforced by the government

Top 10 Gold Producing Countries in 2018
Tonnes



(Price of gold in \$US/ounce from 2010 - 2020)

(Gold: What's Next ..., continued from page 5)

Frank Holmes poses the idea that all the “easy gold” has been discovered already and explorers have to dig deeper to find economically viable deposits.

“For example, South Africa was once the top gold-producing country by far, digging up over [1,000 tonnes in 1970](#), but annual output has fallen steadily since. On the other hand, several nations have emerged in the last few years as growing gold producers.”

A 2019 report released by the [Fraser Institute](#) that ranked mining jurisdictions on a more microscopic level pegged the state of Nevada as the most attractive jurisdiction in the world for mining investment, followed by Western Australia, Saskatchewan and Québec.

Forecasts indicate that it will be another robust year for precious metals prices in 2020 and this likely means that investor interest in companies that operate within these areas will be plentiful. The issue still lingers on where this gold will come from as the top five producers alone dig a major portion of the earth's reserves, not to mention the juniors who operate in the many other areas around the globe, many of which remain relatively untapped. The near-term future of the economy will tell an interesting story but how much of it will hinge on gold?

[Read Online Version](#)

“I think to set the stage for Gold we need to look at a recent quote from the [World Gold Council](#) website ‘Gold has historically performed well in the 12 to 24 month period following policy shifts from tightening to “on-hold” or “easing” – the environment in which we currently find ourselves. And, historically, when real rates have been negative, gold’s average monthly returns have been twice as high as the long-term average. Even slightly positive real interest rates may not push gold prices down. Effectively, our analysis shows that it has only been in periods with significantly higher real interest rates – an unlikely outcome given the current market conditions – that gold returns have been negative.

This is a very positive for gold producers with operations based on USD. For Canadian dollar based companies, like Blue Star, the duality of the rising USD together with the increased gold price should be more rewarding for all-stages of company developments. Gold is trading in record high territory in CAD for some weeks. We can look for continued near-term new CAD price highs for gold as the US economy remains strong, interest rates are unchanging and geopolitical risk is far from abating with concerns over coronavirus and middle east unrest and terrorism and so on.

Blue Star is uniquely situated for price improvement as it is focused on western Nunavut – about as far away from geopolitical risks as anywhere on this planet. It has not yet been recognized as an advanced gold developer. It is totally costed in CAD's. In addition to being in western Nunavut where the ‘rule book for mining’ is well known, its lands are held under long term contracts with the Inuit people further indication of the stability of our neighborhood”

Stephen Wilkinson, CEO

Blue Star Gold Corp. | bluestargold.ca

[View Quote: V.BAU](#)



Palladium

The New Reality for Palladium

CONTRIBUTED BY: OMRI WALLACH, EDITORIAL, [STOCKHOUSE.COM](https://www.stockhouse.com)



When palladium prices started to rise in the later half of 2019, some experts worried we were getting a live look at a precious metal bubble. Over time, however, it became clear that the “palladium bubble” was a myth, and the reality was a trend towards a new normal for palladium.

Back in September of 2019, the metals investment world was curiously regarding the at-the-time [impressive rise of palladium prices](#) to all-time highs above US \$1,600/oz after sitting just below US \$1,000/oz a year earlier. By November, curiosity turned to astonishment as the [precious metal was soaring](#) above US \$1,800/oz, easily outpacing gold and appearing on everyone’s radar.

Each month brought [new highs to palladium prices](#), and with them, new investors and skeptics alike. December saw prices rise above US \$1,900/oz, and January upped the ante further to a jaw-dropping US \$2,500/oz. Today we hover closer to \$2,300/oz as the trend might have finally hit the roof and started to settle, but with no sign that the momentum was short-lived or about to reverse, the skeptics have started converting into palladium believers.

What we’re left with is a precious metal that has seen prices rise 80% since January 2019 (and 20% in the first month of 2020 alone). Compared to prices of the commodity in August 2018, **palladium prices have increased by 172% in a year and a half.**

To understand where the palladium market is going, it’s important to look back on how it got here. Palladium wasn’t always the hot commodity it is today, usually being mined alongside its historically more popular sibling metal platinum as part of the platinum group metals (PGMs), which also includes rhodium.

Palladium, as an extremely light yet ductile precious metal that is extremely resistant to corrosion, has found uses in many different products. From jewelry and electronics to dentist equipment and even fuel cells, the precious metal can be found in many surprising places. But the biggest use, accounting for more than [80% of global palladium supply](#), is in catalytic converters for vehicles, and here we can see the market forces at play.

Catalytic converters convert up to 90% of the harmful gases in automobile exhaust into less noxious gases, including nitrogen and water vapor. Since their first widespread adoption in the 1970’s, catalytic converters have become imperative products for the automotive industry that are mandated for essentially all gasoline and diesel vehicles worldwide.

Because palladium makes up a significant portion of catalytic converters, they’ve also [been targets for theft](#). As the price of palladium has risen, so too has [the number of headlines](#) bemoaning [increases in catalytic converter](#)



(Price of palladium in \$US/ounce from Feb. 1, 2017 - Feb. 1, 2020)

The New Reality for Palladium, continued from page 7)

[thefts](#). In Edmonton, more than 500 converters were [stolen from vehicles](#) in the last three months of 2019 alone

Market forces behind the palladium price surge

But while thieves targeting palladium products make for news headlines, it's the increasing demand for palladium itself that is one of the key driving forces behind the metal's price surge.



(Catalytic converter on the underside of a vehicle)

Over the last decade, there's been a push from automotive regulators worldwide to drastically reduce vehicle emissions. Automakers looking to produce more efficient gasoline and hybrid vehicles to meet the new demand and increasingly stringent regulations need more effective catalytic converters, and therefore, more palladium.

It's easy to imagine the global shift as being long and protracted, but the massive European and Chinese mar-

kets have been moving far more quickly. In Europe, the [diesel emissions scandal](#) fresh in the minds of consumers has driven more to replace diesel-powered vehicles with gasoline-powered vehicles. Both utilize palladium in their catalytic converters, but gasoline converters use far more (diesel converters use primarily platinum).

Meanwhile, the Chinese market has been [increasingly stringent on vehicle emissions](#) over the last few years and shows no signs of slowing down. Tighter and tighter regulations have demanded better converters for new vehicles, to the point that China has quickly become [the largest purchaser of palladium](#), despite not having any production of the metal itself.

Of course, China would be producing if it could, but palladium is hard to come by. The majority of palladium supply is mined in two places, the Bushveld Igneous Complex in South Africa and the Norilsk Complex in Russia, which together account for more than 75% of global palladium market supply. Canada and the US are the third and fourth largest producers of palladium, with deposits coming mainly from the Stillwater Complex in Montana and the Sudbury Basin and Thunder Bay District in Ontario.

However, while palladium demand has increased steadily over the last decade, the supply has fallen behind. For

“To sell cars automakers need to meet increasingly stringent emissions legislation and because of this they are using more and more palladium in each vehicles auto-catalyst.

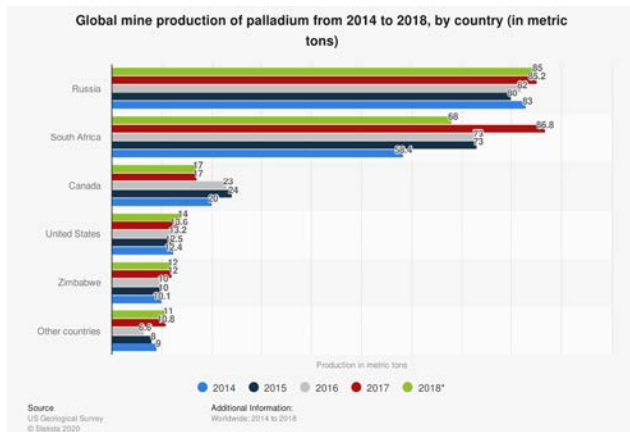
New Age Metals and its shareholders are fortunate to own 100% of one of the largest palladium deposits in North America, and the Sudbury mining district located nearby is one of the best places in the world to build a mine because of its long history as a mining community. In 2019, we completed the projects first economic study, a Preliminary Economic Assessment and in 2020 we plan to follow up on its recommendations in working towards a Pre-Feasibility Study.”

Harry Barr, Chairman, CEO & Director

New Age Metals Inc. | newagemetals.com

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The New Reality for Palladium, continued from page 8)



(Palladium mine production worldwide by country 2014-2018 | Source: Statista)

the majority of the last decade, the [palladium market has been in deficit](#), and the situation has quickly snowballed. Standard Chartered analyst Suki Cooper told Reuters that she expects 700,000 oz shortfalls of palladium for both 2020 and 2021.

What's become increasingly clear to the market is that the current supply isn't cutting it anymore. South Africa, traditionally the world's largest producer of palladium, has been lowering production and [running into difficulties](#). Recently, the country released data that showed output of PGMs (palladium included) fell 13.5% in November from 2018 figures.

And the world's largest single palladium producer, Russia's **Norilsk Nickel** ([OTC:NILSY](#)), is a big question mark weighing on market analysts. For starters, the Russian company's palladium is mined as a by-product of nickel mining so severe it is regarded as one of the biggest sources of pollution on the planet. More pressing is that



(Smoke from the chimneys of the Norilsk Nickel plant overlooking the city of Norilsk, Russia)

“It is no exaggeration to state that the palladium market has sailed into a perfect storm. With most of the metal now going to government-mandated auto-catalysts in every gasoline automobile, the market has been in deficit for eight years. Various estimates have this deficit being fully 10%-15% of supply. For years the deficit palladium was sourced from surface stockpiles in Russia and Switzerland, but these appear to have nearly dried up, hence the recent price jump to \$2,300 per ounce. On the supply side, there are few new mines on the drawing boards anywhere, and no new sources of any material size will be in production anytime soon. Most of those planned are deep underground and will take many years to develop. With this background Generation Mining acquired the Marathon Palladium Project in Northern Ontario, the largest undeveloped palladium deposit in North America. A Preliminary Economic Assessment shows the open pit project generates a 30% internal rate of return at a \$1,275 palladium price and has a net present value of \$871 million. Generation plans to fast-track a Feasibility Study, followed by permitting and construction of a new mine.”

Kerry Knoll, CEO & Director
Executive Chairman & Director
genmining.com

View Quote: C.GEMN

**GENERATION
 MINING**

The New Reality for Palladium, continued from page 9)



(Surface of a 100g palladium ingot)

Norilsk's supply of palladium is unverified and uncertain, with fear that the company's leftover reserves are less than it lets on.

Norilsk hasn't increased its palladium output to match the growing market demand yet, but the increasingly constrained supply has forced its hand. On Jan. 29, the company announced it would deliver [three extra tonnes of palladium ingots to the market](#) to "provide a short-term relief to tight supplies," but then went on to say that it believes the market "has over-reacted." Analysts, however, were [quick to disagree](#), pointing out that temporary relief for the lease-rates market wouldn't solve the fundamental drivers that pushed prices higher in the first place.

The hunt for more palladium

By now we've reached a point of acceptance that sky-high palladium prices are here to stay, and already the effects are being felt. Automakers have felt the [brunt of the price increase](#) as costs for producing catalytic converters have skyrocketed. Palladium producers have looked to shore up their supplies, with Canadian producer **North American Palladium** [being acquired](#) by South Africa's Impala Platinum Holdings (OTC:IMPJY) for \$1.0 billion back in October. And [recycling of catalytic converters is growing](#) as a percentage of global PGM supply, on trend to reach 30%. Regardless of where it comes from, the hunt is on for more palladium. With difficulties in South Africa's production

and companies wanting to deal less with Russia's pollution where possible, the spotlight is on mining prospects in Canada, the US, and Zimbabwe, the three next-largest suppliers and sources of palladium.

Junior PGM or pure-palladium projects are able to hunt for the precious metal relatively worry free. Demand isn't going anywhere and is only set to continue increasing, especially in China and India. The massive supply gap means new projects are at a premium but won't make significant dents in the gap, preserving the high prices. And if they can't get off the ground, analysts expect palladium prices to [only climb higher](#), with Bank of America analysts **expecting the rally to continue all the way to US \$3,500/oz.**

Investors that entered the palladium market when prices were at US \$1,000/oz have enjoyed the ride, but it's not expected to stop anytime soon. When metal prices go up, there's a noticeable time-lag before producers start to benefit, and the palladium market is rapidly reaching that point. Whether it's through finding a palladium stock that fits your portfolio or buying the metal itself, the amount of upside left in this sector is staggering.

The new normal for palladium didn't arrive without warning. It's been a decade of low supply on one side and constantly increasing demand on the other, but by now we're far past the tipping point. And increasingly tighter restrictions on vehicle emissions aren't going to stop, requiring more efficient catalytic converters and more palladium to make them. The question remains, where will the palladium come from?

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For more of the latest info on Metals & Mining stocks, check out the [Metals & Mining Trending News](#) hub on Stockhouse.

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Uranium

Want “Bitcoin in 2017” Gains? Uranium May Be Your Best Bet

CONTRIBUTED BY: LOBO TIGGRE, FOUNDER & CEO, [LOUIS JAMES LLC](#)



Right up front, I want to make very clear what I’m saying—and what I’m not—in this article.

I **am** saying that if you want a shot at 10x, 20x, or even 100x winners over the next year or two, you have to look into speculating in the junior uranium sector.

I’m **not** saying that it’s safe, easy, or even likely.

The question you have to ask is: “Am I willing to risk significant losses in order to bag a potentially life-changing win?”

To explain why my own answer is “yes,” let me first give you a bit of background.

Uranium Price History

1. In the first decade of this millennium, the world woke up to the fact that it needs nuclear power. The entire conversation shifted as people of different political bents around the globe realized that nuclear reactors don’t dump carbon into the atmosphere and can be built anywhere. Even China—one of the world’s worst polluters for decades—understood that it has a serious problem and it needs to stop burning so much coal. It was a great, true story, and uranium prices went vertical in 2007.
2. But it was too much too fast. Uranium prices corrected dramatically. That was no surprise and a reasonable market response. Prices fell to near the average cost of production.
3. The pro-uranium narrative took hold again. China announced plans to build scores of nuclear power plants. Then a tsunami struck the Fukushima nuclear power station in Japan, causing the worst nuclear accident since Chernobyl. Uranium tanked.
4. Prices were down, but the narrative remained strong. Germany decided to move away from nuclear power, but more reactors were being built worldwide than were shut down. Prices rallied again, but then started falling as cash-

“Patience will be rewarded. Most agree the uranium sector boom isn’t a matter of ‘if’, it’s a matter of ‘when’, with the latter having extended now throughout 2019 and into 2020. Fundamentals are clearly on our side, but investor patience has no doubt been severely tested. When spot moves, and it will, it has the potential to heat up fast and create an event of significant proportions. Anybody who’s been through previous runs will tell you few things can match the ferocity and value creation of a uranium bull.”

Alex Klenman, CEO
Azincourt Energy Corp. | azincourtenergy.com

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(Want "Bitcoin in 2017"..., continued from page 11)



strapped Japanese utilities sold excess uranium stocks they weren't going to need for years. This pushed spot uranium prices well below the cost of mining the stuff.

5. The narrative hasn't changed. The world still needs nuclear power plants. China, India, and other countries are building scores of them. Even the US is looking to build its first new nukes in decades. But uranium prices continue scraping along well below the cost of production.

This brings us to now. It's a terrible time to be a uranium miner. Which means it's a great time to be a speculator.

Why Uranium Prices Must Rise

The pivotal facts are:

A) Uranium cannot be substituted for in less than decades.



B) Uranium cannot be mined profitably at current prices.

The world's uranium producers are in dire shape. Even the best of them—Cameco and Kazatomprom—are shutting down production in response to lower prices. That includes flagship mines like Cameco's high-grade McArthur River mine.

Uranium is selling so cheap, miners with long-term contracts at higher prices are buying uranium at spot and selling that to their customers instead of mining. As crazy as it sounds for uranium producers to be buyers, it makes more sense than spending more money mining and depleting their assets in the ground.

This cannot and will not last.

Even the companies with the best new projects are in no hurry to advance them toward production.

Note that the cost per pound of production in the chart above is a cash cost figure, not an all-in cost. You can add 50–100% to the bars above and still get a conservative estimate for how high uranium prices would have to go for these projects to become profitable.

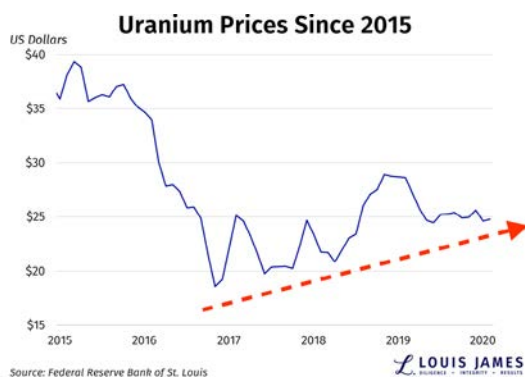
Meanwhile, the two facts remain: the world needs uranium; and it's not going to get it at current prices. Something needs to give.

But why do I think uranium's dawn is finally here? In part, it's the most recent price action. Let's zoom in on the last couple years.

As you can see, the last high is higher than the two previous peaks. Perhaps more significantly, we've seen higher lows since the bottom as well. Uranium prices would need to remain stagnant for the rest of this year to break the bottom trendline.

A critical fact regarding the state of the market today is that the Japanese have announced plans to restart a score of their nuclear power plants now. Even more important is that uranium miners with high-price sales

(Want “Bitcoin in 2017”..., continued from page 12)



contracts, like Cameco, have tried to buy excess Japanese uranium and have not been able to.

This suggests that the excess supply that dragged uranium prices so low is no longer a factor.

The fundamentals couldn't be stronger.

Even a Recession Won't Stop This

Another very important point is that uranium's fundamentals are highly insulated from the general drivers of the commodities markets. The slowing global economy may be bad for oil and gas as people travel less, and so forth. But nuclear power is used for base load energy. And even in a cooling economy, people will still want the lights to come on at night.

Whatever happens with the trade wars, real wars, or other black swans—this won't change.

Uranium remains below “stupid cheap.” Going forward, it has more upside than downside. All of its indicators are pointing upward.

There's significant potential for near-term weakness in other industrial metals and resources, but uranium is on its own trend path—and it's up.

Climate Change to the Rescue

There's more. I stumbled on Michael Shellenberger's talks in favor of nuclear power last year. This guy isn't some corporate industry shill. He's a hardcore environmentalist. He also happens to think that the truth matters. His [talk](#)

on how fear of nuclear power was engineered—and how it may end—is truly moving.

The important thing is that Shellenberger is not alone. If you simply type “nuclear power” into the search tool on YouTube, you get a screen full of links to videos that are neutral or positive. More and more people are at least willing to consider the question, rather than close their minds to any possibility that past fearmongering might be wrong.

That's great, but what really caught my attention was when NPR reported on the 40th anniversary of the Three Mile Island accident—and suggested in that article that the world might need nuclear power after all. Quite striking, given the [source](#).

The cherry on top was to see [an op-ed](#) in the New York Times, that bastion of liberal media bias, arguing that climate change requires the world to embrace nuclear power.

If the climate-change movement turns pro-nuclear and the world pivots back to nuclear energy, it will take uranium prices higher for year and years to come.

What are the odds? Hard to say, but my sense is that there's a growing feeling of panic among climate-change activists as they realize that the world isn't on track to meet its carbon reduction goals. As the reality that that nothing else can deliver the carbon-free energy needed, we could see them demand more nuclear power.

But even if this never happens, it will be decades before enough alternative energy resources can be developed. And people will still want their lights to turn on at night

That's why I'm convinced that with or without help from climate-change warriors, uranium prices will rebound and head higher

What Could Go Wrong

As bullish as all this makes me, I have to also say that speculating on anything uranium-related could still go horribly wrong.

(Want “Bitcoin in 2017”..., continued from page 13)

All it would take is another nuclear accident.

One could argue that the only really bad nuclear accident there’s been was Chernobyl. The Three Mile Island incident caused a lot of panic and changed the course of nuclear energy in the US, but there was no nuclear wasteland. In fact, the plant only recently shut down for good. And at Fukushima, it was the tsunami that killed almost all of the people. The Japanese did an admirable job of containing the damage despite such a challenging circumstance. And none of these types of accident will be repeated.

But people aren’t rational on this subject. I don’t want to sugarcoat this.

It’s possible to lose almost every dollar you put into uranium stocks, if things go wrong.

That said...

If You Can Handle the Risk, There’s HUGE Potential

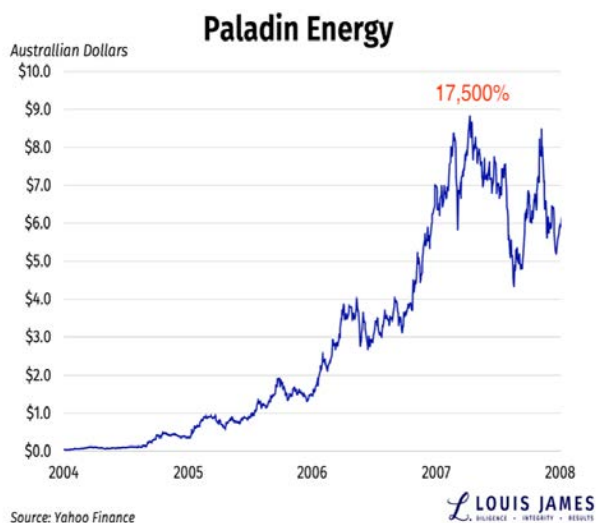
It’s well known to resource investors that price movements in minerals, metals and other commodities are magnified in the share prices of related companies. If gold rises 1% one week, gold miners will typically rise 3%-5% that week. The same holds true for copper, oil, and other resource commodities.

So what happens if uranium prices rise from their current level, near \$25 per pound, to the global average cost of production, which is around \$40 per pound?

But remember that this is just the cost of production. You still need to explore for the stuff, build mines, and so forth. Most feasibility studies for uranium projects use an “incentive cost” price assumption of \$60–\$70 per pound.

And then there’s the fact that the last time we saw a major spike, it took uranium up to almost \$140 per pound—not adjusted for inflation. The next spike could dwarf that last one.

It wouldn’t last, but if uranium prices broke the charts, leveraged uranium stocks would go through the roof



Think I’m exaggerating?

Look what happened to one tiny uranium stock that made it big during the last big spike: Paladin Energy.

I am **not** promising gains like this to anyone.

I **am** saying that it’s possible—it’s happened before. This is why, despite the risks, I’ve speculated on what I consider to be the best stocks in the sector.

Buy Low, Sell High

Best of all is that most of the quality uranium plays on the market today are still selling dirt cheap. That’s a clear contrarian opportunity. I know it takes courage, but if you want to swing for the bleachers on a big win, this is an opportunity you owe it to yourself to consider.

[Read Online Version](#)

Copper

Copper Forecast 2020: Will Demand Exceed Supply?

CONTRIBUTED BY: DAVE JACKSON, EDITORIAL, [STOCKHOUSE.COM](https://www.stockhouse.com)



An aerial view of Mina de Chuquicamata – a Chilean state-owned copper mine located at 2,850 metres (9,350 ft) above sea level just outside Calama in northern Chile. It is, by excavated volume, the largest open pit copper mine in the world and the second deepest open pit mine on earth. The huge hole was started in 1882 as a mine to extract gold and copper.

Industrial economies need copper, and a lot of it. It is known as ‘man’s first metal’, and for over 10,000 years has been used in a wide range of applications...from architecture to coinage. Also frequently called ‘Dr. Copper’ due to its connection to economic cycles, it could be one of the most significant metals & mining trades of 2020, as most [industry analysts](#) expect a price jump for the metal as global demand recovers from seven-year lows around US\$4,330 per tonne in January 2015.

An [October 2019 report](#) from the International Copper Study Group (ICSG) forecasts world refined production increasing by around 4 percent in 2020. [IHS Markit](#) sees copper prices rising upwards of US\$6,400 per tonne in the first half of 2020, whereas [Capital Economics](#) is predicting a price hike in the range of US\$6,800 per tonne by the end of 2020, then advancing to US\$7,500 per tonne by the end of 2021, and finally moving on up to nearly US\$10,000 per tonne by the end of 2025.

Bay Street and Wall Street analysts now believe copper prices will improve, especially in wake of Phase One of the US-China trade deal. Copper prices rose in December 2019 to their [highest levels in seven months](#), highlighting how a more optimistic view of the world economy is supporting riskier corners of the market.

Earlier in 2019, the [International Copper Association](#) (ICA) commissioned a study to see what effects the global

rise in renewable energy will have on copper demand. The answer? By 2027 demand will rise by 56 percent; meaning an extra 813,000 tonnes will have to be added to current production levels. Another 5.5 million tonnes will be needed by 2028, and that’s only for renewable energy applications like wind power, which grew 8 percent in the US in 2018. Electric vehicles (EVs) could be the major catalyst for surging copper demand, as EVs demand almost 10 times as much copper as their gas and diesel counterparts. By 2027, it’s expected that increased demand from EVs will send copper production even higher... to an expected 1.74 million tonnes per year for EVs alone.

The Case for Copper

The copper mining industry is a major contributor to the global economy. And, it’s more than just a mined metal – it provides good paying jobs and promotes a higher standard of living, especially in emerging economies. One tonne of copper brings functionality in 40 cars, powers 60,000 mobile phones, helps operate 300 computers, and distributes electrical power to 30 homes. The International Copper Alliance divides copper usage into four categories – electrical, construction, transport, and other. By far the largest sector for copper usage is electrical, at 65 percent, followed by construction at around 25 percent.

The vast majority of mining operations extract copper from the ground via open pit mines – the most efficient and cost-effective method of mining ore. For ethical inves-

(Copper Forecast 2020..., continued from page 15)

tors and those concerned with mining operations leaving a carbon footprint, mining companies are taking new steps to reduce their greenhouse gas emissions. BHP Group Ltd. ([NYSE:BHP](#)) – The world’s largest diversified mining group – recently committed \$400 million over five years to reduce greenhouse gas emissions from its operations and mined commodities. As an example, BHP announced last year to switch two giant copper mines in Chile to solar, wind, and hydro sources in place of existing coal and gas power will cut energy costs by about 20 percent.

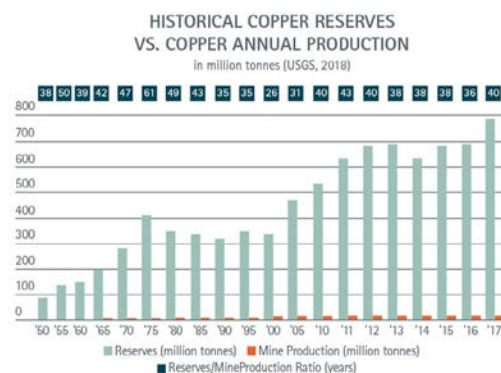
Renewable energy systems have a voracious appetite for copper, consuming approximately five times more copper than conventional power generation systems, making the base metal essential for any successful transition to fossil fuel alternatives.

Despite increased copper supplies required for the new green economy, there are some questions around where this new metal may come from.

Copper projects are notoriously massive in scale and size, and the direct pipeline to start-up projects is the [lowest in over a century](#). As a result, many analysts are expecting that the long-anticipated supply crunch might come sooner than expected.

Copper Consumption

So, from where is all this additional copper going to come? Because it is an industrial metal critical to the



manufacturing and construction industries, copper is extremely sensitive to investors’ perception of global growth. The metal is closely tied to China, which accounts for roughly half of the world’s consumption.

Copper’s rise underscores how better-than-feared [economic data supports a range of markets](#) near the end of the year. Stocks around the world and other commodities have also posted gains since the US and China reached a tariff truce in mid-October 2019.

The recent rally is a boon for producers and bullish investors who had watched copper prices languish for months despite falling inventories and lower-than-needed investment in new mines around the globe.

Mining Investment Guru Rick Rule Talks Copper

Rick Rule, President and **CEO of Sprott US Holdings**, is one of the most successful brokers of natural resource

“Copper markers got off to a rocky start so far in 2020 due to the Coronavirus situation. China appears intent on supporting their economy with stimulus and that will support copper markets. We should remember that copper prices increased considerably after the SARS event. In addition the fundamentals for copper in the medium to long term remain robust with declining production at existing mines and demand staying strong due to increased electrification.”

Ernie Mast, President and CEO

Doré Copper Mining Corp. | dorecopper.com

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(Gold and the Economy, continued from page 14)



investments ever. A staunch contrarian, Rule looks to buy natural resource businesses for bargain prices after they've suffered large declines. Through the years, his disciplined investing style has made his clients billions of dollars in natural resources like gold, silver, copper, uranium, agricultural products, and even water.

According to Rick, the global supply of copper has become constrained. He explains the relative impact of an extended period of lower prices and low investment in a productive capacity.

However, he says prices are set at the intersection of supply and demand.

In an audio conversation with Stockhouse Editorial, Rick was asked where he thinks copper pricing and supply & demand are headed in 2020, if mining jurisdictions really matter, and about the significance of China as major market player:



According to a [Bloomberg report](#), a copper deficit is likely to emerge in 2020. Despite the fact that the current project supply chain will add new copper in the short term, the long-term trends paint a less pretty picture for the availability of the base metal.

With the obvious increasing demand for copper presenting itself to the global economy, and emerging economies in particular new discoveries, increased processing

of recycled copper, and amped up production of existing mining projects is an imperative for the industry.

The challenge lies in the strong demand growth for copper. According to Bloomberg, demand for copper is growing at 3.7 percent per year. This year's added supply of copper from new projects is expected to peak and will fall away dramatically as we move through 2020. Bloomberg still foresees the possibility of increased production from existing mines, but after 2020 they say there is no more flexibility.

Despite supply issues, metals & mining market [analysts](#) say the long-term outlook for copper looks positive. Supply remains relatively constrained because of disruptions in countries such as Indonesia and Chile, while many expect demand to rise as more consumers transition to EVs. Because investors remain wary of a short-term demand slowdown, anticipation of future shortages had done little to lift copper prices for much of the year...[until recently](#).

For 2020, copper mining SWOT analysts believe that Cu is facing a finely balanced market, yet an ascending one for the longer term. But risks loom. As with all base and industrial metals markets, price fluctuations can be expected as a result of the unexpected – political turmoil, labour unrest, supply shortages, the Chinese coronavirus outbreak, and the on-again off-again trade war between the US and China.

With China's high rate of copper utilization, it represents the greatest risk to overall demand this year. That being said, [a January 2020 Reuters poll](#) showed the price of copper is expected to climb this year, supported by a recovery in global economic growth and problems with supply.

In closing, the meteoric growth of electric vehicles, rising construction activities for power generation, and increasing consumer electronics industry is expected to boost copper demand over the coming years – something long-play metals & mining investors should pay keen attention to.

[Read Online Version](#)

Diamond

The Diamond Industry is Off to a Good Start in 2020 Despite Some Lingering Challenges

CONTRIBUTED BY: PAUL ZIMNISKY, DIAMOND ANALYTICS

Industry heavyweights, De Beers and ALROSA, got off to a strong 2020 with January diamond sales that were up 9% and 44%, respectively, over 2019. Demand driven by a relatively strong 2019 holiday shopping season in the U.S., the industry's largest consumer market, and a favorable global supply picture should continue to bode well for diamonds in the near-term. Despite imminent demand uncertainty surrounding the impact of the coronavirus in the ever-important Greater China consumer market, in general, diamond fundamentals appear to be shaping up following a disappointing 18-month stretch for the industry.

After a vibrant first-half of 2018, the following year-and-a-half posed challenging for the diamond industry. A tightening of credit to diamond manufacturers in part led to accelerated industry-wide mid-stream inventory deleveraging throughout H2 2018 and 2019. An estimated \$10 billion, or approximately 25 percent of all inventory held by the midstream segment of the industry, was forced downstream as many manufacturers were unable to

retain previous levels of finance and were pressured to scale down operations and cut-back balance sheets. The flood of excess mid-stream supply more than offset a 5 percent year-over-year decline in mined diamond volume in 2019.



(A Luk Fook diamond jewelry ad on a bus in Hong Kong in November 2019. Source: Paul Zimnisky)

“We believe we’ll likely continue to see positive changes in the diamond sector moving into the near-future as we saw at the end of 2019. World diamond production has dropped over the last couple of years and with the closing of a major producer in Rio Tinto’s Argyle mine, further production drops are predicted. Mid-stream inventories have worked through a rough diamond glut, finally achieving historically sustainable levels that are allowing polished prices to start heading in a positive direction. A longer-term positive indicator is evidenced in the fact that two of the biggest players at either end of the pipeline, DeBeers and Chow Tai Fook, are demonstrating their faith in the industry’s robust future with large capital investments into infrastructure to meet a predicted increase in demand.”

Ken Armstrong, President & CEO

North Arrow Minerals Inc. | northarrowminerals.com

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“The diamond sector is rather unique, not widely followed or understood, and has a limited number of actual producers in it. A majority of the past historical excitement in the sector has come from the discovery of new diamond mines, but that is known to be very difficult to say the least with not much success for many years. The difficulty in finding new mines, combined with the time/cost to production and the depletion of known reserves, as many existing mines reach the end of their production lives, all points to a looming near-term supply/demand issue for natural rough diamonds. In recent years the world-wide issues somewhat muted consumer demand and emerging market growth, with the result being that current valuations and the investment opportunity across the sector could be the best it has been in many years. Ultimately, people will continue to get married, have anniversaries, celebrate special events, and the emerging market will grow. All this will continue to add to demand side of the equation... and with known rough diamond reserves being depleted, those with the ability to supply rough diamonds would seem to be very well positioned for the future.”

Dean Taylor, President & CEO

Diamcor Mining Inc.

diamcormining.com

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The Diamond Industry..., continued from page 18)

While the industry has since actively worked through much of the indigestion, lingering demand challenges, including only a partial resolution to the trade spat between the U.S. and China, the industry's two largest end-consumer markets, has stifled the process. Further, widespread protests in Hong Kong, referred to as the Anti-Extradition Law Amendment Bill Movement, and more recently, travel bans and jewelry store closures in Mainland China and surrounding regions in response to the coronavirus outbreak, has impacted retail sales and B2B trade in the industry-important market. In addition, indications of a broad economic slowdown in Europe and a global trend towards negative interest rates have boosted the U.S. dollar, which has pressured global end-consumer diamond demand in recent quarters.

Looking at the remainder of 2020, without any further unforeseen demand shocks --the impact of the coronavirus outbreak would likely need to be contained to Q1-- the diamond industry could finally find itself on more stable footing as industry-wide inventories approach more sustainable levels following the recent indigestion.

In addition to the more macro developments mentioned above, here are three specific catalysts that could also have a noticeable impact on diamonds in 2020:

The DPA's "3 Billion Years in the Making" Campaign

In the fourth quarter of 2019, the Diamond Producers Association (DPA), the diamond industry's joint category-marketing effort, debuted its latest campaign titled "The Diamond Journey" with the tagline "3 billion years in the making." 2020 marks the fifth year since the group was established and the third consecutive year that the budget exceeded an estimated \$50 million. The 2020 budget alone is estimated to approach \$100 million, which would likely be the highest yet, but is still short of the estimated \$200-250 million in inflation-adjusted dollars that De Beers was spending annually during the monopoly-era via the "A Diamond is Forever" campaign.

The result of large category marketing strategies such as this can be slow and gradual but can leave a lasting impact on a consumer's perception of a product if commu-

The Diamond Industry..., continued from page 19)



(A DPA campaign unveiling event in New York in September 2019. Source: Paul Zimmisky)

nicated effectively. It has now been over a decade since the “A Diamond is Forever” campaign was retired, and consumers’ positive perception of diamonds has seemingly faded. However, now a few years into the reintroduction of generic diamond marketing, results should begin to show, especially in the three primary target markets: the U.S., China, and India.

ALROSA’s “Luminous Diamonds” campaign

In September 2019, ALROSA said it was in talks with several jewelers about joint-marketing the company’s strongest fluorescent diamonds as “Luminous Diamonds.” Fluorescence is most prominent in Russian and Canadian diamonds, which are mined predominantly near the Arctic Circle. However, fluorescence is also found in diamonds mined elsewhere and is estimated to be present in as much as a third of all diamonds globally. Diamonds with “strong” fluorescence, the focus of ALROSA’s campaign, represent as much as five to 10 percent of global supply.

Traditionally, fluorescence has been seen as a negative attribute as it can make a diamond appear “milky” or “oily” in direct sun or UV light. The characteristic also makes a diamond mysteriously glow under a black light, ideal, for example, for a club or party scene. This meshes well with the industry’s intention of directing more marketing towards younger demographics. Furthermore, most natural diamonds fluoresce blue, while most lab-grown diamonds (LGDs) fluoresce orange, green or blue-green. As such, fluorescence is another potential attribute that the natural diamond industry can use to differentiate its

product from LGDs. ALROSA said it expects the product line to be available in early 2020, with the U.S. and China being the initial target markets.

The Argyle mine officially closing

Easily the industry’s most anticipated supply catalyst, Rio Tinto’s Argyle mine in Australia, is finally set to close officially in 2020. In June 2019, management told media outlets that in “late 2020, we’ll be stopping operations and will start the rehabilitation of the site.” The mine, which at one point accounted for almost half of global diamond output in volume, has produced 10-15 million carats in recent years, representing a high-single-digit percentage of the world’s output. An estimated three-quarter of Argyle’s output is brown in color, lower-in-quality or smaller in size, the categories of diamonds that have been under the most price pressure in recent years.

Argyle supply coming offline will further balance what has been an oversupplied diamond market for most of the last decade. No doubt, the diamond industry and trade views Argyle’s end as a positive development. Also, Argyle’s closure is drawing broad media attention and therefore is likely to reinforce the consumers’ perception that natural diamonds are a fleeting, non-renewable resource and a rare and valuable product.

[Read Online Version](#)

Silver

Silver About To Start A Major Rally?

CONTRIBUTED BY: TAKI TSAKLANOS, INVESTINGHAVEN

Silver is looking good at this point. A major rally is expected to take place provided silver continues to trade above 17.40 USD/oz. If this move higher takes place it would qualify as a tactical rally in the context of the new secular bull market that started in June of 2019. That's a powerful combination, a dream for silver bulls and any momentum investor.

In June of 2019 research identified the start of a new secular bull market on silver's long term price chart. Our [silver price forecast](#) was very clear in the projection for 2020 as well as the very longer term, and this quote from that forecast says it all:

Based on the long term charts which show silver's dominant patterns we expect this new bull market to continue for some 8 years. That's the same time the bear market took to complete.

In 2020 we will see a slow slope of the rising channel. This may accelerate temporarily in 2021. Bull markets accelerate slowly but surely.

That's the essence of forecasting: projecting trends that are about to happen, and spotting them on the chart as they arise way before they are visible to the public.

2019 was a special year for the silver (and gold) market because of 2 reasons:

On the one hand, as said before, the eight year bear market turned into a bull market in June. On the other hand, and probably more importantly going forward, silver's subsequent rally was relentless. Now that's where it becomes interesting because the summer rally did create the starting point of a new rising channel, a characteristic of a bull market.

Below is the daily silver price chart for 20 months. It also shows the next few months, and what the near future could look like with our projected rising channel.

The message of this chart is clear: silver's bull market is set to continue as evidenced by the light green bull market channel. Moreover, it says that the area between 17.40 and 18.90 USD/oz (red box annotated) is a congestion area. Once silver can clear that area we expect a fast move higher.

When exactly this rally will materialize is hard to forecast. It may start anytime or it may take a few months until the summer. It is a matter of closely monitoring price movements especially in the red area on the chart below.

The flipside of this bullish story is 17.40 USD/oz, the line in the sand. Any sustained break below this price level will invalidate the bull market channel. Our assessment is that the probability of this failed scenario is less than 5%.

"In my experience, historically, precious metals markets are led by gold bullion, which moves first. Silver follows but moves further, sometimes much further. High quality silver stocks move the furthest, because of their relative scarcity, and their leverage to silver prices."

Rick Rule, President & CEO

Sprott U.S. Holdings Inc. | sprottusa.com

Sprott | USA

(Silver About to Start..., continued from page 21)



Chart provided by [InvestingHaven](https://www.investinghaven.com)

If anything silver is hypersensitive to inflation expectations as well as real inflation. With the recent trend change in monetary policies it is clear that inflationary forces are center stage again. That's the message of the silver chart, and silver has a lot to catch up. It is one of the most undervalued assets. We expect the ongoing reversal to continue for several years, and we believe the mean reversal effect as a result of these monetary and economic conditions to bring the price of silver close to \$30 USD. That's when speculative demand will take over control, and push silver to previous highs in the next few years.

[Read Online Version](#)



“As miners, we spend a lot of time getting the metal out of the ground, to ultimately get it into the hands for commercial use which is critical for sustaining the human race and all the things that are required by people. It is not realized by most, how important these metals are and yet we don't get a fair pricing environment for this metal that is extracted, which requires a lot of hard work to attain. We remain bullish on the metal for First Majestic and through our efficiencies in technology and innovation in our mining strategies, and maintaining 60% revenue from silver, silver is the go-to metal. There's No Substitute For Silver.”

Keith Neumeyer, President & CEO

First Majestic Silver Corp. | [firstmajestic.com](https://www.firstmajestic.com)

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fm
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“Silver has seen some safe-haven buying as a result of coronavirus fears but has so far underperformed gold for the year. The gold/silver ratio is highly elevated, closing in on 90 ounces of silver per one ounce of gold. This tells us that investors regard the yellow metal as a safer bet, especially with yields continuing to fall around the world. However, with silver so undervalued relative to gold, it may be a good buying opportunity in anticipation of higher industrial demand, the solar panel manufacturing space in particular.”

Frank Holmes

U.S. Global Investors, Inc. | usfunds.com



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