

## **Zinc set to shine among commodities**

By Jack Farchy

The outlook for the zinc market may not be the top priority for many British pensioners. But the metal could soon be a major driver of profits for one of the main constituents of the FTSE 100 blue-chip index.

Although zinc prices have remained subdued as copper, gold and tin have hit record highs, it is one of the commodities about which analysts are most bullish in the medium term.

Zinc is the top pick among the base metals of Macquarie's closely watched commodity research team based on predictions for 2014. The main reason for the bullishness is the outlook for mine supply: some of the world's largest zinc mines, including Xstrata's Brunswick mine in Canada and Minmetals's Century mine in Australia, are due to close starting in the first half of next year.

"There will be a significant number of large mines closing," says Duncan Hobbs of Macquarie. "On paper there seem to be sufficient projects to replace those closures; but there's a rising risk that those projects come later than we are expecting."

Demand is also likely to be supported by construction-intensive growth in emerging markets. In a recent presentation Nyrstar, the zinc producer, noted that only 4 per cent of steel used in China is being galvanised, compared to 18 per cent in the Europe and the US.

Mr Hobbs of Macquarie predicts prices could hit \$3,000 in the next three years – up nearly 50 per cent from current levels.

Others are more optimistic still. Graham Deller, head of zinc research at CRU, the consultancy, says he firmly believes "prices will go through the roof".

"Anything you pick up now is going to look cheap in three or four years' time. Tripling [from current prices] is conservative," he says.