

A New Commodity Price Upcycle is Emerging Post-COVID

Executive Summary

- Prices of commodities¹ generally follow repeating cycles of ups and downs over time, and these cycles are a key feature more apparent to the mineral market. Price cycles for minerals are primarily driven by strength of their demand. **A major boom in demand is often accompanied by a significant upward pressure on mineral prices.** We believe an upcycle in mineral prices is poised to emerge post-COVID.
- **One critical source for mineral demand is infrastructure investment.** Being a key driver of economic and social development, transport has traditionally been an integral part of infrastructure. Building smart and/or extensive transportation networks globally together with China’s “New Infrastructure” initiative and the world’s ongoing shifting to clean energy like transition to electric vehicles should lift prices of key minerals like iron ore (steel production), non-ferrous metals (copper for electrical wiring and others; nickel for stainless steel), coal (electricity generation) and crude oil (gasoline and diesel).
- **China’s “New Infrastructure” plan rolled out in 2020 is high-tech focused.** Covering the following seven areas, the plan has become a top development priority for the country in conjunction with the post-COVID-19 relief package. **China would spend ~US\$1.4 trillion on a digital infrastructure program alone.**
 - *5G networks* – targeting to build 5 million to 5.5 million base stations across the country by 2025;
 - *Internet of Things (IoT)* – building three to five industrial internet platforms by 2025 to facilitate digital transformation of Chinese enterprises;
 - *Inter-city transportation and rail system* – expanding the domestic railway network, including high-speed railways;
 - *Data centers* – building an undisclosed number of data centers to fulfill rising domestic demand for data storage;
 - *Artificial intelligence (AI)* – aiming to establish 20 AI innovative trial zones across China by 2023;
 - *Ultra-high-voltage (UHV) power transmission* – rolling out UHV construction projects, including new converter stations; and
 - *New-energy vehicle charging stations* – planning to have more than 36,000 stations by 2025.

Exhibit A: Seven Key Areas of China’s “New Infrastructure”



Source: Gaofeng

¹ Split into two types: hard and soft commodities. Hard commodities are typically natural resources that must be mined or extracted such as gold, rubber, and crude oil, while soft commodities are agricultural products or livestock, including corn, coffee, and pork

IMPORTANT DISCLOSURES

CONFLICT OF INTEREST DISCLOSURE

Cedrus Investments Ltd. (“Cedrus”) does and seeks to do business with companies covered in research reports distributed by Cedrus, and Cedrus may or may not be an investor of the subject company and may have investment banking relationship with the subject company. As a result, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of this report. Cedrus will identify such companies in the reports of the companies covered. Therefore, investors should consider this report as only a single factor in making their investment decision.

For additional information, please send an e-mail to information@cedrusinvestments.com

For private circulation only. This report is prepared by Cedrus and is for informational purposes only and is not intended to be, nor should it be construed to be, an advertisement or an offer or a solicitation of an offer to buy or sell any securities. The information herein, or upon which opinions have been based, has been obtained from sources believed to be reliable, but no representations, express or implied, or guarantees, can be made as to their accuracy, timeliness or completeness. The information and opinions in this report are current as of the date of the report. We do not endeavor to update any changes to the information and opinions in this report. Unless otherwise stated, all views expressed herein (including estimates or forecasts) are solely those of our research department and subject to change without notice.

The information provided in this research report is not provided to and may not be used by any person or entity in any jurisdiction where the provision or use thereof would be contrary to applicable laws, rules or regulations of any governmental authority or regulatory or self-regulatory organization or clearing organization or where Cedrus is not authorized to provide such information.

This report does not take into account the specific investment objectives, financial situation, and the particular needs of any specific company that may receive it. Before acting on any information in this report, readers should consider whether it is suitable for their own particular circumstances and obtain professional advice related to their own investment needs and objectives. The value of securities mentioned in this report and income from them may go up or down, and investors may realize losses on any investments. Past performance is not a guide to future performance. Future terms are not guaranteed, and a loss of original capital may occur.

Neither the analysts responsible for this report nor any related household members are officers, directors, or advisory board members of any covered company. No one at a covered company is on the Board of Directors of Cedrus or its affiliates. The compensation for the analysts who prepare reports is determined exclusively by senior management. Analyst compensation is not based on investment banking revenues; however, compensation may relate to the revenues of Cedrus as a whole, of which investment banking, sales and trading are a part.

Cedrus does engage in investment banking. Cedrus does trade securities on a principal basis; however, Cedrus’ research analysts are prohibited from owning securities they cover through Research Reports.

Copyright 2021 Cedrus Investments Ltd. All rights reserved. Any unauthorized use or disclosure prohibited.