

THE CRISIS IS OVER (OR IS IT?)

By Neil Mc Kenna

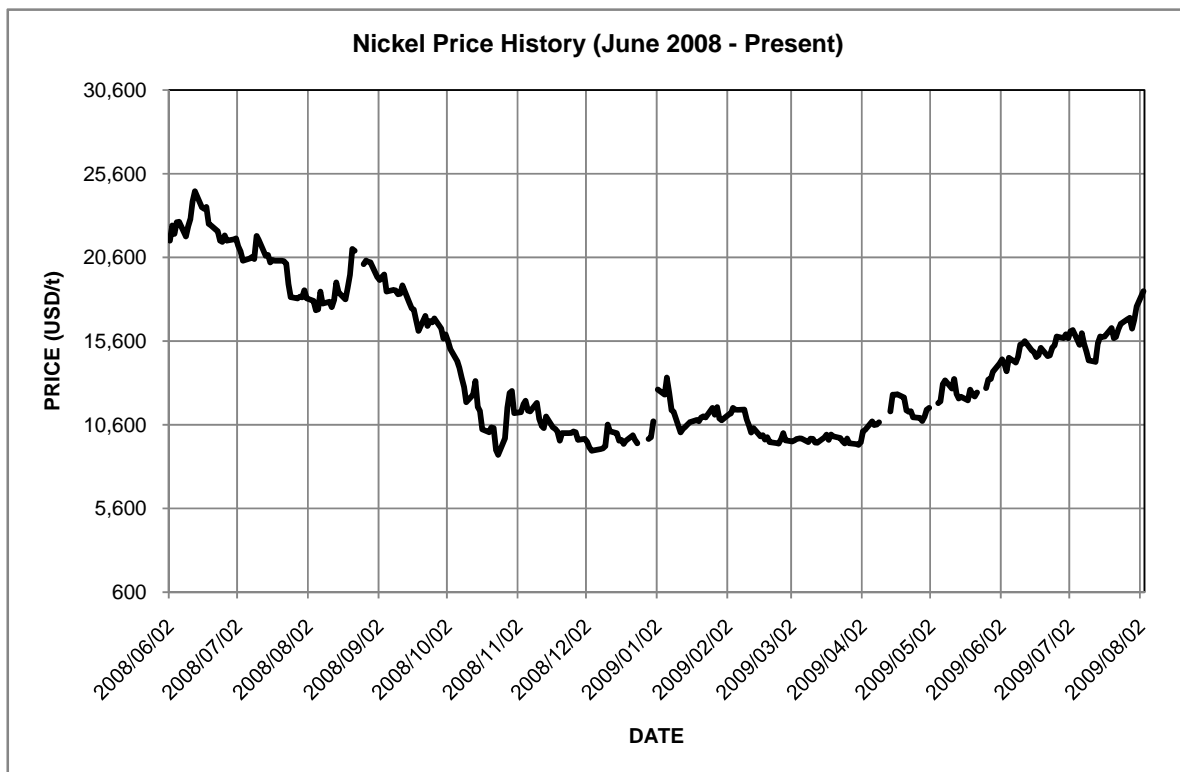
In a previous newsletter some 10 months ago I lamented over the beginning of what would turn out to be an unprecedented downturn in the commodities cycle (link to previous newsletter here). The financial sector had just started to collapse and the 'sub-prime' issue was just starting to be understood. Few would have predicted the speed and extent to which world markets would capitulate. I recall turning to any news station on TV and seeing the market 'ticker' ever present in the left-hand corner of the screen.....always deep in the red!

When I turn on the TV now.....what is making headlines?.....Swine Flu!

Is the crisis over?

In the last month or so stocks have enjoyed a great rally and it certainly seems that sentiment is improving. At Venmyn, we are seeing a significant improvement in general activity in the market, particularly with respect to transactions, as investors regain their risk appetite and cash-flush companies begin gobbling up stressed assets. However, we have also seen our fair share of liquidations and project suspensions – the inevitable effect of such a downturn, but one which we feel is 'cleaning up' the industry by removing marginal projects and poor management.

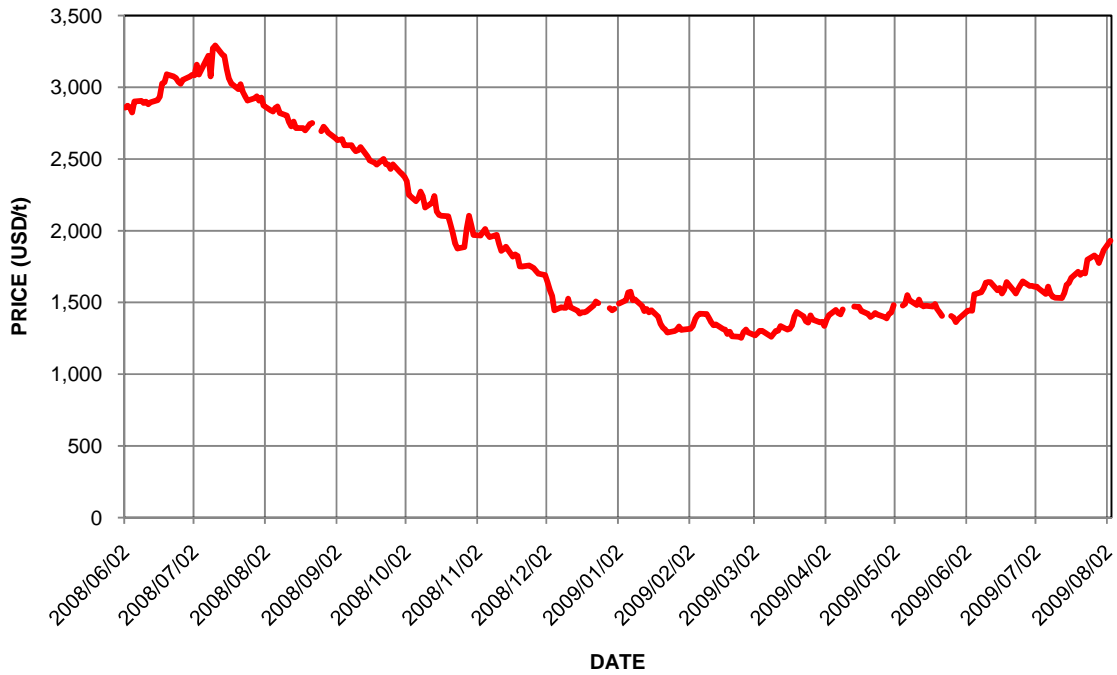
Taking another look at the commodity prices over the past 6 months certainly paints a very different picture than it did 10 months ago. While prices are generally still well below their peaks of mid 2008, they have recovered well from their lows in early 2009. Since the beginning of 2009, nickel has gained almost 50%, platinum has gained over 30%, aluminium has gained 30%, and copper has almost doubled in value.

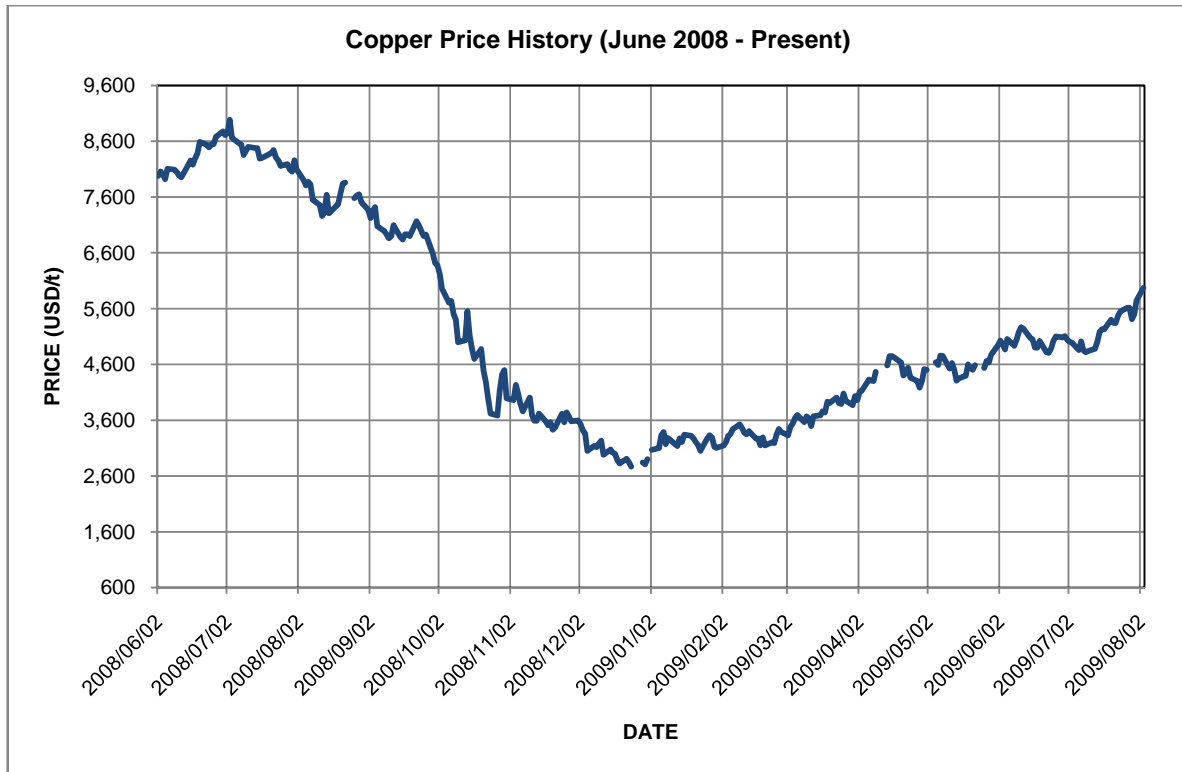


Platinum Price History (June 2008 - Present)



Aluminium Price History (June 2008 - Present)





While my boss continually reminds me that 'every bottom has a hole in it', all indications suggest that even if the crisis is not completely over, the worst must surely be.

Will there still be more bad news? Of course! I am sure that the recovery will be slow and will be marked by more corporate fatalities along the way. But the Venmyn view of the world remains cautiously optimistic given the clear change in mood from our eyes and ears on the ground (over 100 phone calls from our clients a day alone gives us a very good sense of the state of the market) and the revitalization of activity in our sector of the business.