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## Miners help FTSE 100 to an early rebound

Miners are leading the way as the FTSE 100 attempts to stage another recovery.

Despite a dip on Wall Street, the UK index is up 52.62 points at 3564.71. But we have been here before. Yesterday saw a similar bounce, and yet by the close the economic clouds had gathered once more and the index recorded its third day of losses.

With metal prices moving higher on hopes of a rebound in Chinese demand – lead rose 3% while aluminium and copper were also up – there has been a consequent bounce in mining shares. Xstrata

### Rio Tinto

Deutsche took part in a meeting with Rio to discuss the Chinalco deal and came away with a number of nuggets, including the suggestion that an iron ore merger with BHP Billiton 'The Chinalco deal announced on 12 February has certainly garnered a significant amount of debate, and probably a disproportionate amount of headlines. But with the benefit of three weeks of deal digestion – and despite having another 3–4 months to play out – some early feedback appears to be encouraging and supportive. The stock looks undervalued on almost all metrics, and has significant upside potential on our estimates. 'Rio Tinto chief executive, Tom Albanese, continued the global 'charm offensive' to win investment community support for the Chinalco refinancing deal. To that end we joined a round table – rectangular to be precise – discussion with the chief executive with a group of sell-side analysts. '[He] indicated that the early negative client view has been tempered by recognition that there is good value in the transaction and that shareholders will benefit from the larger quantum of the Chinalco solution versus a standalone rights offering.' But the company still has a cautious outlook for the next couple of years. Even so Liberum said Rio was its top tip in the sector: '[It] has great assets, a strong exposure to copper and iron ore and will be de-risked by the increasingly accepted Chinalco deal. Investor resentment is melting away to the Chalco deal as tough equity markets make the transaction look handsomely priced and correctly sized and management make soothing noises re pre-emption. The recent pull back in Chinese iron ore prices has made some take profits, but we feel momentum could build again from here.' Elsewhere Kazakhmys

Overall the market is – as mentioned – still showing signs of uncertainty. Chris Hossain, senior sales manager at spread betters [ODL Securities](#) said: 'The market

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has been both a financial and emotional rollercoaster over the past fortnight. Having breached the 2008 lows, investors are scrambling to find an area of support to help justify buying back in. The banking sector is likely to dictate how markets fare over the coming weeks. Whilst confidence is brittle, market bulls will point to the opinion that much of the dirty linen has been aired. With the earnings season mostly behind us, investors will look to be ahead of the curve in case we start to see an upturn in the second half of 2009. With banking stocks trading at multi-year lows, many of them now trade like an option, with the threat of nationalisation still in the background. If investors can withstand the threat of a stock trading down to zero, there may be a stronger belief that now could be a period to come back in from the sidelines.'

<http://www.guardian.co.uk/business/marketforceslive/2009/mar/04/busan-rio-tinto>