

Essential Resource Shortage: **Zinc's Massive Potential**

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CHINA'S MOST IN-DEMAND METAL IS EXPERIENCING A SUPPLY CRUNCH

Zinc: The World's 4th Most Used Metal is 2016's Best Performer

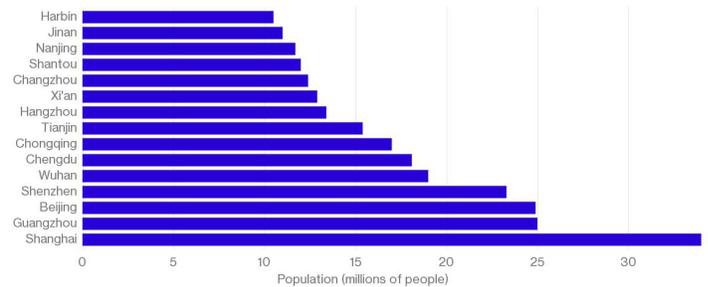
Two Top Picks for Astute Investors

China is a powerhouse of commodities. The megacities the Chinese government is building will dwarf anything we have seen in human history.

The type of growth that is occurring with their middle class is uncanny. China's landmass is enormous, and their cars are mostly unfit for today's modern highway system.

Meet China's Megacities

OECD says there are 15, more than double UN estimates



Source: OECD

Bloomberg

Though their demand for cars is absolutely exploding, the fact remains that many of their vehicles will soon be put out of use because they are completely rusty.

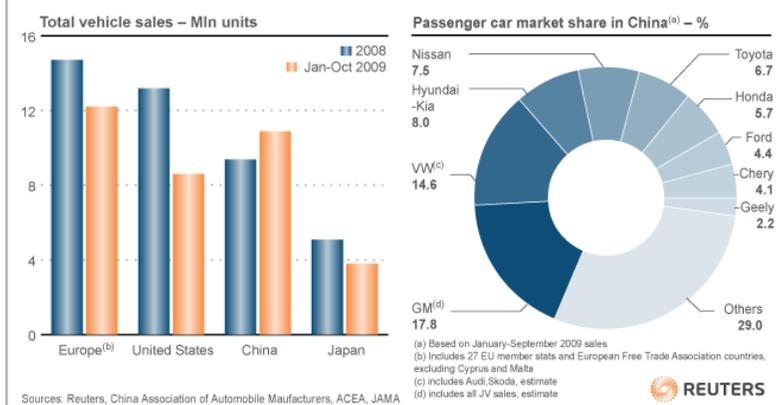
Annual passenger vehicle sales in China will rise to 24 million in 2020, from 19 million last year.

Only about a third of locally-manufactured autos use galvanized panels to prevent corrosion and rusting. Switching to the material would require about 350,000 metric tons a year of additional zinc.

Zinc is the anti-corrosion fighter that's already this year's top performer among base metals.

Galvanizing is the most important use of zinc. About 50% of all zinc is processed and applied as a coating to iron and steel to prevent rust.

China car market soars



Sources: Reuters, China Association of Automobile Manufacturers, ACEA, JAMA

Reuters graphic/Claire Morel

20/11/09

Zinc's Rally Metal has surged in 2016 on supply constraints



Source: Bloomberg, LME

Bloomberg

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China is in desperate need of zinc, as it is needed for their infrastructure plans. China is not only building megacities, but an extensive highway system, train system, and underwater tunnels, and these all require more zinc.

China is already a significant producer and end user, but the demand is putting immense pressure on miners to grow production. **In 2015, China built a large number of bridges and skyscrapers, and accounted for 47% of global demand. It is increasing its infrastructure budget by 19% this year, as it plans to connect the distant northern cities to the center.**

The problem is that between 2008 and 2015, the bleak outlook for the global economy made zinc prices very cheap, and supply disappeared.

Two major mines were depleted and closed down last year – Australia's Century mine and Ireland's Lisheen mine. Their joint production capability was 630,000 tons annually.

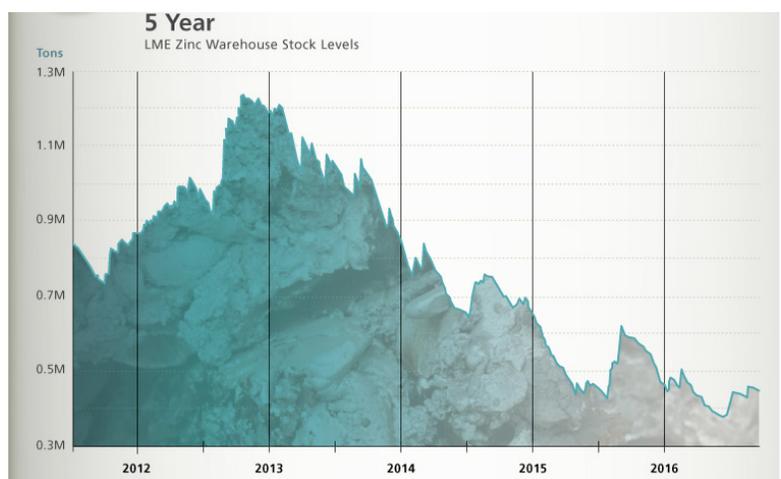
Stockpiles are also severely diminishing.

What this should spell out to you is that zinc is going on an absolute epic bull market.



Mine production cuts

2016 announced mine production cuts (kt Zn)				
Mine			2015	2016
Lisheen	Ireland	Reserve depletion		105
Century	Australia	Reserve depletion		395
Total planned				500
Wolverine, Campo Morado, Myra Falls	North America	Early 2015	85	95
Middle Tennessee	USA	Late 2015	5	35
Al Masane	Saudi Arabia	Early 2016		10
Endeavor	Australia	H2 2016		20
Total price/technical			90	160
Mount Isa	Australia	Glencore	50	245
McArthur River	Australia	Glencore	25	135
Iscaycruz	Peru	Glencore	15	80
Kazzinc	Kazakhstan	Glencore	10	40
Total Glencore strategic			100	500
Grand total			190	1160



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Zinc is 2016's best-performing metal, and this is happening because while demand for zinc has grown slowly but consistently at about 2% per year, monthly zinc production fell to a nine-year low in February.

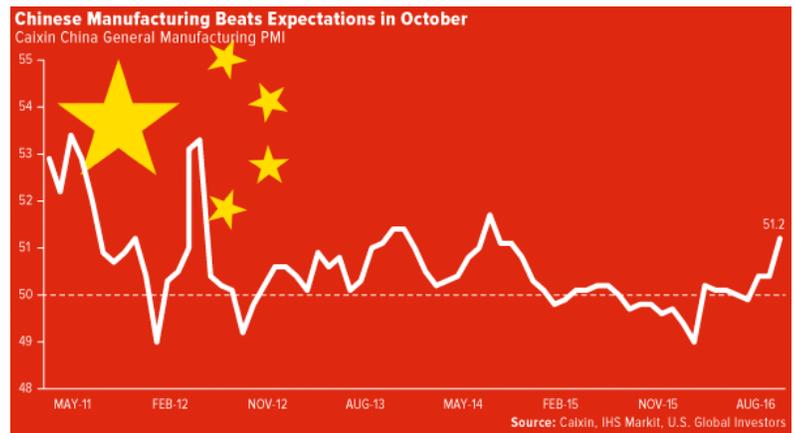
This year, the world will consume about 500,000 more tons of zinc than it will produce. Next year, the deficit will grow even larger. If it weren't for a giant backlog of supply – about 2 million tons in inventory worldwide – the price of zinc would be soaring even higher today.



By 2017, that inventory will get tight. ***We could see a full-blown frenzy next year.***

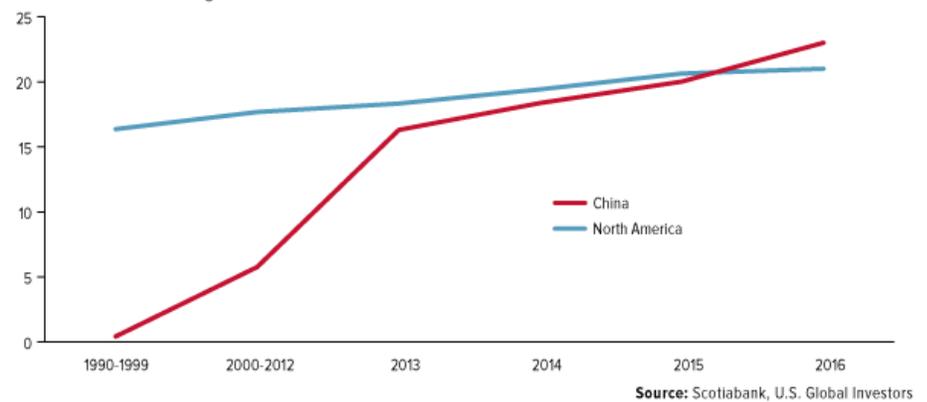
What's very interesting about the global political map at the moment is that China is back to full steam in manufacturing. This is leading to further power shifting to the east.

This current expansion is the fastest since July 2014. Output rose to an incredible 5-year high.



Cars sales jumped a phenomenal 32 percent year-over-year in September – the fourth straight month of growth exceeding 20 percent. China is expected to surpass sales in North America for the first time ever this year.

China Expected to Surpass North America in Automobile Sales
In Millions of Cars and Light Trucks



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Car sales, an infrastructure boom, and the epic mega-project that China is pushing for in terms of connecting all of Asia are extremely bullish for zinc.

There are other metals that are in high demand, such as iron ore, steel and aluminum, but only the supply of zinc is challenging, and that's an understatement.



The numbers we are analyzing indicate that the most significant reductions in 2016 will be in Australia, India, Ireland, and Peru.

Australian output has been negatively affected by the closure of MMG's Century mine at the end of 2015, as well as cutbacks at Glencore's operations.

A sharp fall in India is a consequence of reduced output at Hindustan Zinc's Rampura Agucha mine.

In Ireland, the decrease is due to the closure of the Lisheen mine in 2015, and in Peru, it's mainly a consequence of reduced production at the Antamina and Iscaycruz mines.

What I love about Zinc is that unlike many base metals, it is also a favorite of governments, since most of it is recycled, and this contributes to "green initiatives" that are a major political force.

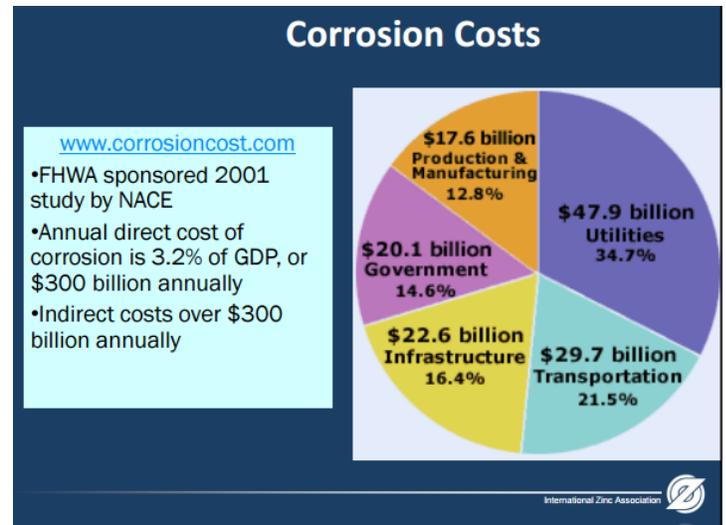
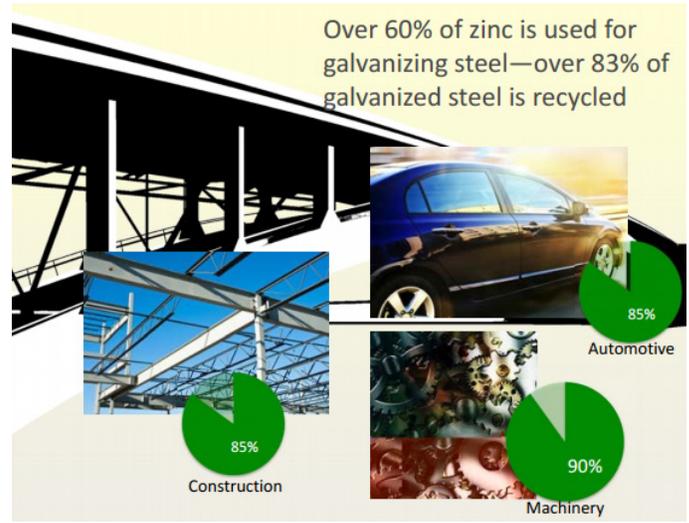
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The wild card that few professional resource investors are catching wind of, but Wealth Research Group has analyzed thoroughly, is the health benefits and agricultural benefits of zinc.

In the near future, developing countries will begin to contemplate subsidizing zinc in crops or regulating it so that farmers will have to add it to the soil. This will create a whole new market for the metal.

In the 21st-century, zinc will become an essential metal, and Metalionaires should be on high alert for opportunities in this space.

India and China will be the largest growth markets for agriculture, cars sales, and infrastructure, and the supply shortage is making new discoveries very valuable, especially since the costs of corrosion are ridiculous, and new zinc supply can reduce all of those.



Wealth Research Group is just finalizing a 60-day long due-diligence period into this sector, and the catalyst for massive gains is imminent.

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