

[ JJ ]

>> Andrew: HELLO, THERE.  
WELCOME TO "COMMODITIES."  
REMEMBER, OUR SHOW RUNS TUESDAYS  
AND THURSDAYS 3:00 p.m.  
EASTERN TO 3:30 p.m.  
LET'S CHECK OUT HOW THE KEY  
ENERGY COMMODITIES ARE TRADING.  
YOU CAN SEE THERE IS A LITTLE  
BIT OF PRESSURE ON OIL TODAY.  
NO APPARENT NEWS.  
REMEMBER, CRUDE HAS RISEN TO  
NEAR ITS HIGHEST IN THREE  
MONTHS.  
IN FACT WE HAVE SEEN CRUDE  
RETURNING OVER THE PAST FEW  
SESSIONS TO LEVELS LAST SEEN IN  
NOVEMBER.  
LET'S LOOK AT A ONE-YEAR CHART  
THERE.  
AND A ONE-YEAR CHART FOR OIL.  
THERE ARE OF COURSE INTENSE  
DIPLOMATIC MOVES GOING ON RIGHT  
NOW TO TRY TO END THE VIOLENCE  
IN THE MIDDLE EAST BUT WE  
STILL -- NO APPARENT HALT IN  
ISRAEL'S ATTACKS.  
THERE IS A THREAT AS OF TODAY  
THERE WAS A THREATENED ASSAULT  
ON THE CITY OF RAFAH AND THE  
U.N. HAS WARNED ACCORDING TO  
REUTERS THAT THIS ASSAULT "COULD  
LEAD TO A SLAUGHTER."  
NOW REUTERS HAS AN INTERESTING  
NOTE HERE IN THE FUTURES MARKET.  
THE SIX-MONTH SPREAD FOR BRENT  
AS OF TODAY WAS THE HIGHEST  
SINCE OCTOBER AND THAT IS A SIGN  
OF A TIGHTER MARKET.  
SO YOU CAN SEE OIL HAS BOUNCED  
OFF ITS LOWS OF A A COUPLE OF  
MONTHS AGO BUT THERE IS STILL  
THAT RISK PREMIUM IN THE MARKET.  
>>> AND LET'S CHECK WHERE THE  
METALS ARE TRADING RIGHT NOW.  
AND YOU CAN SEE COPPER IS  
HOLDING ITS OWN.  
THE GOLD STILL ABOVE 2,000.  
AN INTRIGUING STORY ON BLOOMBERG  
HERE, THE GOLD BULLS WILL BE

INTERESTED TO HEAR.

THIS ONE MONEY MANAGER ARGUING THAT GOLD WILL GAIN IMPORTANCE IN THE RESERVES FOR CENTRAL BANKS IN COUNTRIES SUCH AS CHINA, RUSSIA AND TURKEY AS THEY TRY TO CUT THEIR DEPENDENCE ON THE U.S. DOLLAR.

NOW THAT CAME FROM REBECCA PATTERSON, A FORMER CHIEF INVESTMENT STRATEGIST AT BRIDGEWATER ASSOCIATES. SHE TOLD BLOOMBERG GOLD OBVIOUSLY HAS HIGHER VOLATILITY BUT IT'S LIQUID.

IT'S ONE OF THE FEW PLACES CENTRAL BANKS CAN GO WHERE IT WILL BE TRULY OUTSIDE THE SYSTEM.

SO CERTAINLY GOLD BENEFITING FROM THAT.

MOVE AWAY IN RELATIVE TERMS FROM THE U.S. DOLLAR IN CENTRAL BANK RESERVES.

AND THERE IS A 10-YEAR CHART FOR GOLD.

IT HAS RISEN.

THE SHARE OF GOLD IN CENTRAL BANK RESERVES HAS COME UP SLOWLY IN RECENT YEARS AND NOW IT'S ABOUT 10% OF CENTRAL BANK HOLDINGS AND THAT'S ACCORDING TO RESEARCH FROM THE INTERNATIONAL MONETARY FUND.

>>> A COUPLE OF COMMODITY-RELATED STOCKS ON THE MOVE TODAY.

METHANEX ENCOUNTER A SETBACK AT ITS GIGANTIC METHANOL PLANT IN LOUISIANA.

THEY ARE ADDING A THIRD PLANT, THE SO-CALLED GUYS MAR 3 PLANT BUT THEY SAID THERE WAS A GLITCH AT THE NEW PLANT.

SOME OF THE EQUIPMENT WAS SEVERELY DAMAGED AND THEY NEED SPECIALTY REFRACTORY BRICKS ET CETERA TO BE REPLACED AND SO THE OPENING OF THAT COMPLEX WILL BE DELAYED BUT SCOTIA NEEDS THE

SILVER LINING HERE IN THE SENSE THAT THIS WILL IN FACT TIGHTEN THE METHANOL MARKET WHICH OF COURSE IS GOOD FOR METHANEX.

>>> AND LET'S HAVE A LOOK AT DUNDEE PRECIOUS METALS.

IT IS WALKING AWAY FROM A DEAL IN WHICH IT WOULD BOUGHT A COMPANY CALLED OSINO THAT IS WORKING ON A NAMIBIAN PROJECT. INITIALLY WHEN THIS DEAL WAS ANNOUNCED IT WAS UNPOPULAR WITH DUNDEE INVESTORS.

THEY GET TO KEEP, THOUGH, THE BREAK FEE BECAUSE OSINO HAS DECIDED IT WOULD GO A FAR UNIDENTIFIED MINING COMPANY THAT HAS BEAT OUT DUNDEE IN THE BIDDING.

DUNDEE NOT GOING TO BUY OSINO AND YOU CAN SEE OSINO RESOURCES QUITE A GAIN FOR THAT STOCK AMID THE PAST WHILE OVER THIS BIDDING WAR.

AND THERE IS DUNN DEAL.

DUFFIN DE, THE ORANGE FLYING THERE.

DUNDEE HAS DONE PRETTY WELL OVER THE PAST WHILE VERSUS THE GOLD INDEX.

EVEN BEATEN GOLD ITSELF IS.

>>> AND LET'S HAVE A LOOK AT THE BLOOMBERG DOLLAR INDEX.

AND SEE HOW THAT DID TODAY.

AND YOU CAN SEE THE U.S.

CURRENCY DOWN A FRACTION.

>>> OKAY.

ANOTHER STOCK WE ARE WATCHING IS A MINING COMPANY BHP.

ITS FIRST HALF NET INCOME SLUMPED 86% FROM THE YEAR BEFORE.

WE ARE TALKING ABOUT OVERSUPPLY IN NICKEL AND THAT FORCED THE WORLD'S BIGGEST MINER TO WRITE DOWN THE VALUE OF KEY ASSETS. HERE IS WHAT THE CHIEF EXECUTIVE OFFICER MIKE HENRY HAS TO SAY, "THERE WILL BE A MULTI-YEAR PERIOD OF OVERSUPPLY IN NICKEL

THAT COULD LAST UNTIL THE END OF THIS DECADE."

AND THAT'S WHAT MIKE HENRY SAID THAT BLOOMBERG TV INTERVIEW.

>>> LET'S HAVE A LISTEN.

>> IN TERMS OF UNDERLYING OPERATIONS AND FINANCIAL [indiscernible] IT WAS A REALLY STRONG HALF.

WE HAD EBITDA UP BY 5% YET OPERATING CASH FLOW UP BY A WHOLE 30%.

BALANCE SHEET REMAINS STRONG WITH NET DEBT AT \$12.6 BILLION AND ALL OF THAT IS ALLOWED US TO DECLARE AN INTERIM DIVIDEND OF 72 U.S. CENTS PER SHARE.

YES, WE HAVE HAD A COUPLE OF EXCEPTIONS INCLUDING IN OUR NICKEL BUSINESS.

A BIT OF CONTEXT.

THE NICKEL BUSINESS IS THE SMALLEST BY SOME MARGIN.

BUSINESS WITHIN THE BHP PORTFOLIO.

GIVEN THE SURGE OF NICKEL COMING OUT OF INDONESIA IN THE RECENT YEAR AND SOME CHANGES TO THE WAY THE EXCHANGE FOR NICKEL WORKS WE HAVE STEPPED BACK WE ASSESSED THE VALUE OF THAT BUSINESS WITHIN BHP AND THAT LED TO THE IMPAIRMENT WE REPORTED THIS TIME I WOULD DRAW ATTENTION BACK TO THE UNDERLYING FINANCIAL PERFORMANCE WHICH REMAINS REALLY STRONG.

>> Reporter: LET'S TALK ABOUT NICKEL FIRST.

YOU HAVE MENTIONED ABOUT THAT IMPAIRMENT OF 2.5 BILLION POST-TAX.

IT GOES TO SHOW THE AMOUNT WE ARE SEEING NICKEL PRICES HERE RIGHT NOW.

IS IT SO DIFFICULT TO MAKE MONEY IN THIS BUSINESS?

WHAT IS THE RULE FOR BHP AND THE FUTURE REALLY IN YOUR PORTFOLIO?

>> SO OUR VIEW OF THE NICKEL

MARKET IS THAT THERE IS GOING TO BE A MULTI-YEAR PERIOD OF OVERSUPPLY IN NICKEL AND WILL THAT REALLY COME ABOUT AS A RESULT OF ALL THE NEW CAPITAL THAT'S BEEN INVESTED IN DEVELOPING INDONESIAN NICKEL DEPOSITS. BUT GIVEN THE STRENGTH THAT WE SEE IN THE OUTLOOK FOR DEMAND OR ONGOING DEMAND GROWTH AGAINST A BACKDROP OF THE EV, ELECTRIC VEHICLE THEMATIC IN THE FULLNESS MUCH TIME WE WILL SEE A REBALANCING OF THE MARKET THAT COULD BE TOWARDS THE END OF THIS DECADE AT WHICH TIME WE WOULD EXPECT PRICES TO LIFT AGAIN. THE CONSIDERATION THAT WE NEED TO GIVE TO NICKEL IS WHAT WE DO WITH OUR BILLS IN THE INTERVENING PERIOD IT'S CURRENTLY LOSS MAKING, IT'S BEEN FOR SOMETIME.

THE DEPTH OF CHARGE CHALLENGE HAS GROWN WITH SUPPLIES. THAT'S A VERY CAREFUL CONSIDERATION ON OUR PART BECAUSE WE WANT TO PRESERVE THE OPTION TO BE ABLE TO BRING THAT BUSINESS BACK UP WHEN NICKEL MARKETS LOOK MORE ATTRACTIVE. SMALL PART OF THE BUSINESS. THE REST OF THE BUSINESS IS PERFORMING STRONGLY AND YOU SEE THAT COMING THROUGH IN THE GROWTH IN REVENUE, EBITDA, OPERATING CASH FLOW AND THE HEALTHY DIVIDEND THAT WE HAVE ANNOUNCED FOR THE HALF.

>> Reporter: WHAT DOES THIS MEANLY FOR NICKEL WEST? OFF THE GROUND, MIKE?

>> SO THERE IS TWO CONSIDERATIONS HERE. ONE OF IS THE EXISTING NICKEL WEST ASSET WHICH IS THE ONLY ASSET THAT HAS NOT ONLY MINES AND CONS STRAIGHTORS BUT CONCENTRATORS BUT SMELTING CAPACITY HERE IN AUSTRALIA.

IT'S IMPORTANT FROM A NATIONAL PERSPECTIVE IN THE CRITICAL MINERALS NARRATIVE FOR AUSTRALIA.

GIVEN THE NATURE OF THE NICKEL MARKETS RIGHT NOW WE ARE CONSIDERING WHETHER WE MOVE NICKEL WEST INTO A PERIOD OF CARE AND MAINTENANCE AND THAT'S A DECISION THAT WE WILL MAKE IN THE COMING MONTHS.

STAND ALONE FOR NICKEL WEST. THAT WAS A PROJECT THAT PRIOR TO OUR ACQUISITION OF OZ MINERALS WAS BEING DEVELOPED AS STAND ALONE PROJECT -- AUS.

WE ARE WHY ARE IT MAKES SENSE TO PROCEED WITH THAT MUSGRAVE OR PUT A -- PRESS PAUSE ON IT DEPENDING ON THE DECISION WE TAKE AROUND NICKEL WEST.

>> Reporter: FOCUS ON THE POSITIVE PARTS OF THE BUSINESS WHICH IS IRON ORE.

BASICALLY PRICES HAVE REMAINED SOLID OVER THE PAST 12 MONTHS OR SO.

THAT'S DESPITE THIS DOWNTURN IN CHINA.

WHAT ARE YOUR EXPECTATIONS IN TERMS OF PRICE ASK DEMAND THIS YEAR?

THERE IS A LOT OF TALK ABOUT THE SLOWDOWN IN CHINA.

YOU DON'T SEEM TO BE TOO WORRIED ABOUT IT.

>> SO LAST YEAR IN THE FACE OF SLOWER THAN ANTICIPATED GROWTH IN CHINA COMMODITY DEMAND ACTUALLY HELD UP QUITE WELL AND SPECIFICALLY IN STEEL.

WE SAW THE 50 YEAR RUNNING OF OVER A BILLION TONNES OF STEEL PRODUCTION AND DEMAND IN CHINA. THE EXPECTATIONS ARE WE COULD SEE A 60 YEAR AHEAD OF US.

THAT'S LED TO HEALTHIER THAT BE ANTICIPATED PRICE FOR IRON ORE. OUR IRON ORE BUSINESS RIGHT AT THE LOW END OF THE COST CURVE.

WONDERFUL LARGE BUSINESS WITHIN  
THE BHP PORTFOLIO AND GENERATING  
REALLY ATTRACTIVE RETURNS.

GOING AHEAD WE ARE FORECASTING  
BETWEEN 4.5 AND 5% GROWTH IN THE  
CHINESE ECONOMY.

UPPER END OF THAT RANGE WILL  
REQUIRE MORE EFFECTIVE  
TRANSLATION OF POLICY INTO  
CONFIDENCE AMONGST CONSUMERS AND  
BUSINESSES IN CHINA.

IF WE DON'T SEE THAT MOMENTUM  
PICKING UP WE COULD BE AT THE  
LOWER END OF THE RANGE.

BUT AS I JUDD SAID WE SAW  
COMMODITY DEMAND HOLD UP QUITE  
STRONGLY IN THE FACE OF LOWER  
DEMAND AND THE SECTORS OF THE  
ECONOMY THAT ARE PERFORMING WELL  
DO -- THERE ARE QUITE METALS AND  
MINERALS INTENSIVE INCLUDING  
INFRASTRUCTURE, REAL FOCUS ON  
GREEN INFRASTRUCTURE, MACHINERY,  
AUTOMOBILES AND SO THAT BODES  
WELL FOR THE DEMAND OUTLOOK AND  
PRICE FOR LONG THE YEAR AHEAD.

>> Andrew: MIKE HENRY THE CEO  
OF BHP GROUP.

LOOK AT THAT.

YOU CAN SEE NICKEL HAS BEEN A  
MAJOR DISAPPOINTMENT.

IT SPIKED IN THE COMMODITIES  
MANIA THE FIRST DECADE OF THIS  
CENTURY LIKE URANIUM, LIKE SO