
Weaker outlook for Molybdenum companies

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It is reported that though not long ago that molybdenum emerged as one of the surprising stars of the commodity boom, things have changed in a very short time.

Mr Fraser Phillips, a RBC capital markets analyst note down to clients that prices have dropped from USD 32 a pound at the end of September 2008 to just USD 11 a pound. With ongoing cuts in steel production globally, moly prices could continue to drop until production cost support emerges, he figures that the top of the cash cost curve is somewhere around USD 7 to USD 8 a pound.

Given the weaker outlook for prices and financing, Mr Phillips downgraded two of the popular all moly plays namely Thompson Creek Metals Company Inc and General Moly Inc.

Thompson Creek has a strong balance sheet, with USD 244 million in cash and only USD 18.7 million in debt. But if moly prices fall below USD 10 a pound for any length of time, Mr. Phillips noted that the company would likely have to postpone the expansion of its Endako mine. It has already delayed its Davidson project and suspended its share buyback program.

General Moly is in a tougher position because it is trying to pursue financing for its Mt. Hope project. Mr. Phillips wrote that the project is likely to be delayed, and General Moly's interest could be diluted in order to secure financing for it. Steel giant POSCO which is General Moly's partner on the project wants to proceed on the original schedule and may provide financing support.

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