New Commodity Supercycle possible as nations prepare to kick-start economies
Copper climbs on better than expected Chinese exports

New Supercycle possible as nations prepare to kick-start growth through stimulus and construction programs

Bond market bull run is doomed according to Professor Siegel of Wharton Business School in the US
- Siegel likes to make the news but he does have more experience than most of us.
- Rising inflation is good for GOLD
- Stimulus and inflation are good for other metals
- A Bank of England illustrative scenario shows 14% drop in GDP in 2020, followed by 15% rise presumably driven by a sharp stimulus driven recovery.
- The BoE scenario forecast similar recoveries for household consumption, business investment and global GDP
  [https://www.bankofengland.co.uk/statistics/research-datasets#](https://www.bankofengland.co.uk/statistics/research-datasets#)
- Equities should outperform in the longer term in this environment, excepting airlines, leisure and other virus-hit stocks
- Governments are preparing to stimulate construction with new infrastructure and housing – though we are reminded that cutting infrastructure is often done when Treasuries are looking for easy ways to conserve cash.
- China has already started by making more land available for housing for kids who are desperate to move out of their family apartments and by cutting stamp duty in at least one city
- The US and UK are set to build their way out of this recession to be better prepared for the next plague to come from …..
- We could be in for a new ‘Super-cycle’ and that would be good smaller companies. We suspect China will accelerate, the US will follow and Europe may be shackled by German courts

China – massive catch up in auto and heavy truck sales – Expect the US and Europe to follow this trend
- EV sales holding up well as China turns to cars over mass transit for commuting – suggests global auto sales will catch up post lockdowns
- China auto sales fell 1.6% yoy to 35,300 vehicles in first four weeks of April vs 42% yoy fall in March
- We expect sales of bicycles and electric bicycles to accelerate in China more importantly in the rest of the world
- Heavy truck sales rose 52% yoy in April yoy with 2% growth year to date on last year
- UK auto registrations fell 97% yoy in April to 4,000 vehicles its lowest level since 1946 when AT&T announce the first car phone

EV sales hold up as auto market collapses
- April EVs sales outperform with Tesla Model 3 selling well
- Battery EV sales rose 197% in March yoy followed by MHEVs ‘Mild Hybrid Electric Vehicles’ up 241% and hybrid petrol vehicles up 86% (zap-mao.com)
- The Tesla Model 3 and Jaguar I-Pace accounted for 75% of BEV registrations in the month. (Inside EVs)

China - Tourism-related through 1-5 May holiday fell 60% yoy at RMB47.56bn highlighting ongoing reluctance for travel in China
- China said to be looking at dropping GDP growth target for 2020.

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Not sure event the expert statisticians of the Chinese Communist Party can twist current economic activity into a 6.5% GDP growth.

China Peoples National Congress now set for 21 May
- China looking at further support including extension of VAT cuts
- Chinese banks to be allowed to issue unsecured loans with special terms for companies which retain staff
- Around 70 cities issuing incentives to stimulate consumption – Trump will consider this too little too late
- Authorities are looking at reconstruction of informal settlements perhaps under the pretext of ongoing virus control and easing of overcrowding

Oil demand set to increase post lockdown as commuters shun public transport and take up driving again
- EVs likely to see further stimulus to avert return of automotive pollution
- Policymakers likely to use the surge in car buying to push consumers towards EVs to maintain air quality in cities

IHT Markit non-manufacturing (Services) indices show sharp contractions in major economies except for China which is recovering well
- Chinese non-manufacturing in April recovered to 53.2 vs 52.3 in March,
- Australia services fell to 19.5 vs 38.5,
- India services contracts to 5.4 vs 49.3 and composite index falls to 7.2 from 50.6 in March – this is horrible for India,
- EU 12.0 in April vs 26.4 in March and composite index falls to 13.6 in April vs 29.7 in March,
- Eurozone - Construction PMI falls 15.1 in April as lockdown measures halt building work across the region HIS Markit.
- France and Italy lead downturn as new construction orders fall at record pace.
- German industry output fell 9.2% in March, possibly its fastest decline since the end of WWII.
- Germany 16.2 vs 31.7 and composite index falls to 17.4 vs 35.0 in March,
- France 10.2 vs 27.4 and composite index falls to 11.1,
- UK 13.4 vs 34.5 and composite index falls to 13.8 vs 36.0,
- US ISM nonmanufacturing 26.0 vs 48.0),
- US Markit 26.7 (39.8) and composite index falls to 27.0 vs 40.9,
- JPMorgan global service/nonmanufacturing 24.0 vs 36.8 in March and composite index falls to global composite falls to 26.5 vs 39.2.

General PMI indexes do not look so horrific in smaller economies,
- HK April PMI 36.9 in April vs 34.9 in March, recovering but remains behind mainland China
- Singapore 28.1 in April vs 33.3 in March,
- Saudi Arabia 44.4 in April vs 42.4 in March,
- Egypt 29.7 in April vs 44.2 in March,
- South Africa vs 35.1 in April vs 44.5 in March,
- Zambia 37.3 in April vs 44.7 in March,
- Kenya 34.8 in April vs 37.5 in March,
- Ghana 31.7 in April vs 41.4 in March
- Nigeria 37.1 in April vs 53.8 in March,
- Brazil 27.4 in April vs 34.5 in March and composite was 26.5 vs 37.6 in March – the President refuses to lockdown and appears to be in denial of the Pandemic. Bolsinario’s stance
- GDP Taiwan Q1 yoy 1.5% vs Q4 3.3% reflecting Taiwan’s control of the Coronavirus but also its trade dependence with the rest of the world.
• Sweden Q1 GDP -0.3% in April vs 0.2% in March, yoy 0.5% vs 0.8%.
• US Apr ADP private employment reading saw 20.236m jobs lost (March -27,000),
• US nonfarm payrolls job losses to be > 20m in April vs March -701k and unemployment hitting 16% March 4.4%.

**Stimulus funding continues to rise as nations start to ease lockdowns**

• $2tn US fiscal package approved by Congress. US may add $0.6t state aid for mortgage markets and travel industries
  - The House passed a $484bn aid package to rescue small small businesses, hospitals ($75bn) and coronavirus testing ($25bn).
  - $2tn US – Trump looking at $2tn infrastructure fund
  - $700bn – US + Fed rate cut to 0-0.25% last night. The $700bn QE to buy Treasuries and mortgage-backed securities.
  - US Fed may soon start buying in up to $750 billion of corporate debt and ETFs
• $963bn (€750bn) ECB scraps limits on sovereign bond purchases. ECB PEPP buying running at around €250bn
• EU Finance Ministers have so far failed to agree on a strategy to mitigate the economic impact of the pandemic.
  - The pandemic emergency purchase programme (PEPP) and asset purchase programme (APP) have been reiterated with a cap of €750bn and €120bn, respectively.
  - The bank is reported to have used €100bn of the PEPP so far.
• $825bn (€756bn) Germany – Bundestag approved €156bn in extra borrowing and ~€600bn in emergency funds
• $909m $344bn of China stimulus + $565bn in special bonds for infrastructure by local authorities
• $996bn (108.2tn yen) – Japan + BoJ pledge for unlimited quantitative easing
• 400bn (£330bn) UK + $242bn (£200bn) UK QE from BoE & no business rates plus £25,000 cash grants for hospitality sector
• $78bn (C$107bn) Canada, $32bn Saudi Arabia, US$43.7bn Singapore, $22.6bn India, $19.3bn HK, $13.7bn South Korea, $10bn Switzerland, $8.4bn Italy, $7bn NZ, $3.5bn Ireland, $2bn Taiwan, $0.75bn Indonesia,
• Argentina to default on $10bn of dollar debt issued til the end of the year. Does not affect the $70bn that Argentina is currently in talks to restructure.
• $1,000bn - IMF available + $12bn World Bank,

>12.4tn Total

**Coronavirus – new study shows that obesity doubles the risk of hospitalisation for COVID-19**

- The study reviewed data from 40,000 people comparing their Body Mass Index with their incidence of hospitalisation (The Sun).
- The research also shows that people with high blood pressure or were slow walkers were at greater risk.
- Walking is proven to burn fat and accelerates the metabolism as well as directly affecting the brain’s blood supply through increased circulation and the action of walking.
- 40 minutes of walking three times a week has been shown to have benefits above other forms of exercise and to increase the size of the hippocampus in the brain, Medicalxpress.com.
- To prove the point, one of the fastest walkers in the world is Glencore, ceo, Ivan Glasenberg who was South Africa’s national junior champion in race walking.

| Dow Jones Industrials | -0.91% | at 23,665 |
| Nikkei 225           | +0.28% | at 19,675 |
| HK Hang Seng         | -0.70% | at 23,969 |
| Shanghai Composite   | -0.23% | at 2,872 |

**Economics**

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US – ADP employment data showed the economy lost 20.2m jobs in April as the economy battles with the virus outbreak.

- The breakdown highlights that services including leisure and hospitality were particularly badly hit with 8.6m jobs lost.
- NFPs are due this Friday with estimates for a 21.25m reading.

China – Exports surprisingly posted an increase in April with many attributing a rise to a temporary adjustment in backlog of orders once factories reopened.

- It is, hence, expected overseas shipments to drop this month reflecting a drop in activity in overseas economies.
- “Even in China, where most measures to contain COVID-19 were relaxed in March, the recovery has been slow and most indicators suggest the economy is still contracting year-on-year... this ongoing weakness is evident in the data on imports, which fell 14.2% y/y in April,” Capital Economics commented on the data.

- Exports (%yoy, US$): 3.5 v -6.6 in March and -11.0 est.
- Imports (%yoy, US$): -14.2 v -1.0 in March and -10.0 est.

Germany – More weak economic data is being released with a decline in industrial production reported to have accelerated to -11.6%yoy in March from -1.8% the previous month.

UK – The BoE ruled against further stimulus leaving the size of additional bond purchases at £200bn bringing the total stock to £645bn and staying put on interest rates (0.1%currently).

- Although two members on the committee voted to increase the pace of QE by further £100bn.
- The central bank released an economic forecast estimating the economy to contract 30% in H1/20 with most of the decline (-25%) falling on Q2/20.
- Unemployment is forecast to climb to 9% even after accounting for government efforts to leave as many workers on payroll as possible.
- Inflation is due to average 0.5% in 2021 before returning to the 2% target the following year.
- Stress tests carried by the BoE showed that major financial institutions have sufficient capital to withstand a severe recession.

France – Industrial production posted a 17.3%yoy in March with even sharper declines likely to be recorded in April.

Brazil – The central bank cut the rate by 75bp to 3% highlighting that dire economic outlook news an unusually large monetary stimulus”.

- Separately, the nation’s Congress approved two stimulus bills providing financial help to states and municipalities with over 700bn reais ($122bn) while also allowing the central bank to buy corporate bonds.

Turkey – Lira slides to record lows amid concerns the central bank is running low on foreign currency reserves and worries that Turkey may be vulnerable to refinancing of foreign liabilities amid a squeeze on funding.

Ride hailing companies are bracing for weaker demand as economies struggle with the COVID-19 pandemic.

- Uber will be cutting its workforce by 14% with its smaller rival Lyft expecting layoffs at around of 17% of its staff levels.

Currencies

US$1.0808/eur vs 1.0833/eur yesterday. Yen 106.34/$ vs 106.28/$. SAr 18.614/$ vs 18.383/$. $1.241/GBP vs $1.245/GBP. 0.646/AUD vs 0.645/AUD. CNY 7.087/$ vs 7.089/$.

Commodity News

LME confident that warehouse capacity can meet increasing demand
**Demand for physical has declined drastically in various regions due to the coronavirus pandemic, which has forced stockholders to store vast amounts of metal in warehouses instead.**

- Metal stock on the LME totalled 2.05mt on the 6th of May, up nearly 19% compared to 1.73mt at the beginning of March.

- The LME’s warehouse capacity in Busan, South Korea has a capacity of 576,311 sq meters and total stock levels currently stand at just 70,716 tonnes - compared to a total stock level of 806,659 tonnes in Port Klang.

- Despite data from the LME showing that certain locations of Asia are short on space, there are a number of key locations where on-exchange stocks remain minimal.

- If capacity becomes limited in certain regions, then metal can be shipped to warehouses in other regions where there is more capacity - however this brings additional costs and potential logistical issues.

- Current stock levels are nowhere near peaks seen after the 2008 GFC, when total LME inventory increased 2mt in 12 months - although the market says it expects significant further deliveries over the next few weeks and months (Fastmarkets MB).

**Precious metals:**

- **Gold** US$1,690/oz vs US$1,705/oz yesterday
  - Gold ETFs 96.8moz vs US$96.6moz yesterday
- **Platinum** US$764/oz vs US$773/oz yesterday - Platinum eagle coin sales hit twenty-one-year high
  - The US Mint has announced that sales of the 1oz platinum eagle coin has reached 56,500oz so far this year - the highest since 1999 when sales hit 56,707oz.
  - The increase in sales is as a result of ongoing investor demand for precious metals, as investors seek to own physical platinum in the wake of the COVID-19 pandemic (Kitco).
- **Palladium** US$1,826/oz vs US$1,820/oz yesterday
- **Silver** US$15.01/oz vs US$15.16/oz yesterday

**Base metals:**

- **Copper** US$ 5,249/t vs US$5,213/t yesterday
- **Aluminium** US$ 1,482/t vs US$1,486/t yesterday
- **Nickel** US$ 12,315/t vs US$12,235/t yesterday
- **Zinc** US$ 1,997/t vs US$1,938/t yesterday
- **Lead** US$ 1,640/t vs US$1,638/t yesterday
- **Tin** US$ 15,105/t vs US$15,250/t yesterday

**Energy:**

- **Oil** US$29.3/bbl vs US$30.9/bbl yesterday
- **Natural Gas** US$1.931/mmbtu vs US$2.063/mmbtu yesterday
- **Uranium** US$34.05/lb vs US$34.05/lb yesterday

**Bulk:**

- **Iron ore 62% Fe spot (cfr Tianjin)** US$81.1/t vs US$80.9/t
- **Chinese steel rebar 25mm** US$531.2/t vs US$528.8/t – Chinese iron ore imports rise 11% last month
  - Iron ore imports rose 11.4% compared to a month earlier as steelmakers continued to produce throughout the pandemic, and downstream sectors emerged from lockdowns.
  - Imports of iron ore totalled 95.71mt last month vs 85.91mt in March and 80.77mt in April 2019 (Reuters).
  - Over the first four months of 2020, China imported 358mt of iron ore, up 5.3% from 340mt imported in the same period of 2019.
  - Chinese port data showed that arrivals of iron ore from Brazil jumped 12.7% in April compared to a month earlier, whilst imports from Australia increased 0.7% (Refinitiv).
Steel-making activity is expanding in China, which suggests that demand for iron ore will remain robust. Capacity utilisation rates at blast furnaces rose for a seventh straight week to 81.68% on the 30th of April vs 74% in mid-March (Mysteel).

Thermal coal (1st year forward cif ARA) US$52.8/t vs US$52.5/t - Chinese coal imports rise 22% YoY

- Chinese coal imports surged as traders bought up low-cost material whilst demand plunged across the rest of the world due to the coronavirus pandemic.
- According to customs data, imports last month totalled 30.95mt vs 27.83 in March and 25.3mt in April 2019 (Reuters).
- Imports from January to April rose 27% to 126.73mt compared to the same period in 2019 and continues to rise month-on-month as China strives to resume industrial operations.

Coking coal swap Australia FOB US$109.0/t vs US$108.5/t

Other:

- Cobalt LME 3m US$30,000/t vs US$30,000/t
- NdPr Rare Earth Oxide (China) US$37,180/t vs US$37,170/t - China's rare earth exports fall 22% in April (Reuters).
  - Customs data showed that China's rare earth exports fell 22% month-on-month, as outflows eased from a spike in March that saw ports clear shipments held up due to coronavirus.
  - Shipments totalled 4,316.7 tonnes in April vs 5,551.4 tonnes in March, which was the highest monthly figure on record- however April's exports were only down 0.3% from a year earlier
- Lithium carbonate 99% (China) US$5,291/t vs US$5,290/t
- Ferro Vanadium 80% FOB (China) US$27.5/kg vs US$27.5/kg
- Antimony Trioxide 99.5% EU (China) US$4.9/kg vs US$4.9/kg
- Tungsten APT European US$215-225/mtu vs US$240-245/mtu
- Graphite flake 94% C, -100 mesh, fob China US$520/t vs US$530/t
- Graphite spherical 99.95% C, 15 microns, fob China US$2,425/t vs US$2,450/t

Battery News

Nio sales rebound in April

- Chinese EV start-up Nio has seen sales rise 181.7% YoY with record deliveries of the ES6 in April. (Just Auto)
- The EV maker sold 3155 vehicles in April, astonishing growth of 105.8% month over month with 2907 ES6’s delivered.
- The ES6 is the Company’s 5-seater high performance smart electric SUV, whilst the ES8 is their 7-seater variant which began delivering on April 19th and has sold 248 units so far. (Electric Cars Report)
- Nio is likely to benefit from the new EV subsidy scheme in China given it is a major producer of battery swap technology. (Yahoo Finance)

Tesla preparing to re-open Freemont factory

- Tesla is putting appropriate procedures in place to protect its workers from transmission of the coronavirus in a bid to re-open its Freemont factory this week. (Yahoo Finance)
- California’s Governor announced earlier this week that some retail, manufacturing and logistics companies will be allowed to resume business.
- It is not clear whether the relaxation of restrictions will apply to Tesla. The Company had previously considered reopening operations last week but decided not to follow through on this. (The Mercury News)
- The Freemont factory closed in late March after dispute over whether the business is considered essential. California ordered all non-essential businesses to move to a state of minimum basic operations in March.

Company News

Atalaya Mining (ATYM LN) 113.5p, Mkt Cap £149m – Environmental permit confirmed at Proyecto Riotinto

- Atalaya Mining reports that the regional authorities of the Junta de Andalucia have validated the environmental permits “(in Spanish, Authorization Ambiental Unificada, or “AAU”)” in respect of the Proyecto Riotinto operation.
- "The Resolution ends the legal process announced by the Company on 26 September 2018 in relation to the judgement made by the Tribunal Superior de Justicia de Andalucía ("TSJA") in connection with the AAU."

- Last month Atalaya Mining announced that it had achieved the planned 15mtpa throughput rate for the mine during March following an expansion from the previous 9.5mtpa rate and in January this year the company announced that the Junta de Andalucía had "issued a favorable report in relation to the Unified Environmental Authorization (the "AAU") of Proyecto Riotinto…[and explained that]…The validation of the AAU is a required step towards the automatic re-validation of the mining permit for Proyecto Riotinto".

**Conclusion:** Confirmation of the validity of the environmental permits at Riotinto was expected but nonetheless is welcome as the mine achieves the expanded 15mtpa throughput rate.

**Condor Gold** (CNR LN) 41.5p, Mkt Cap £39.5m – Permit awarded for America pit

- Condor Gold reports that it has been awarded an Environmental Permit to develop the high grade America pit at its La India gold project in Nicaragua. America is located less than 2km from the proposed process plant site making it strategically located satellite source of early high grade feed to the plant.

- The America deposit contains an indicated resource of 114,000t at an average grade of 8.1g/t gold plus an additional inferred resource of 677,000t at an average grade of 3.1g/t gold giving an overall contained resource of approximately 100,000oz of gold.

- The company says that, on a diluted basis, it expects to recover 80,000oz of gold from the extraction of 649,000t of ore at an average grade of 8.38g/t gold from the America pit complementing the "the recently permitted Mestiza open pit permitted to deliver mill feed of 600Kt at 5.76 g/t gold for 111,100 oz gold".

- Condor Gold points out that the addition of the Mestiza and America pits to the main La India pit provides it with additional flexibility in mine planning "potentially improving project economics and extending the life of mine"…[and explaining that]…"The America and Mestiza open pits are likely to be mined earlier to reduce the payback period on the plant and equipment and improve the internal rate of return".

- As part of its project development work, Condor Gold is "running a number of mining studies ahead of a construction decision, which are part of ongoing work being done by Condor to optimize the Project; such studies are yet to be finalised".

- Chairman and CEO, Mark Child confirmed that "When added to the high grade La India open pit and Mestiza open pit, Condor has 1.12 million oz gold open pit Mineral Resources, including Mineral Reserves permitted for extraction. Condor also has the permit to construct and develop a processing plant with capacity of up to 2,800tpd at La India Project."

**Conclusion:** The award of a permit for the development of the America pit following the recently awarded permit for the Mestiza pit provides Condor Gold with the opportunity to enhance the project economics of the whole La India project through early extraction of high grade ore located close to the already permitted processing plant. Continuing studies are examining the detailed mine development schedule and we look forward to the publication of the outcome of these assessments in due course.

*SP Angel act as sole broker to Condor Gold*

**Rambler Metals** (RMM LN) 1.75p, Mkt Cap £22.7m – Bridge Loan from CE Mining III Rambler

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- Rambler Metals has announced that its shareholder, CE Mining III Rambler has provided a short-term bridging loan of US$830,000.

- The loan, which bears interest at a rate of 10%pa matures after two months, on 22nd June 2020 "or upon completion of the ongoing fundraising which is already at an advanced stage and expected to complete by the end of Q2 2020”.

- The company is currently focussing on maintaining its 1350tpd mine and plant production rate at the Ming Mine and Nugget Pond treatment plant in Newfoundland and developing higher grade ore in advance of a planned expansion to a 1500tpd rate of production at ore grades of over 2% copper.

- The current fundraising process is intended to finance the expansion when copper prices pick up.

**Conclusion:** The recent quarterly report explained that the financing discussions for the next stage in the operational development at the Ming mine/Nugget Pond plant were well advanced and in the current operating environment under Covid19 restrictions it is unsurprising that these may be more protracted than might have been hoped. It is encouraging to see an important shareholder provide its backing with the short-term bridging finance for Rambler Metals' expansion.
*SP Angel act as Nomad and broker to Rambler Metals & Mining

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Sources of commodity prices
Gold, Platinum, Palladium, Silver BGNL (Bloomberg Generic Composite rate, London)
Gold ETFs, Steel Bloomberg
Copper, Aluminium, Nickel, Zinc, Lead, Tin, Cobalt LME
Oil Brent ICE
Natural Gas, Uranium, Iron Ore NYMEX
Thermal Coal Bloomberg OTC Composite
Coking Coal SSY
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