



Rio Tinto: The Commodity Supercycle Is Not Over Yet!

We only added Rio Tinto to our Long-Term Portfolio in January, but given the opportunities in this sector, we want to take action again. Not only in the short term but likely for the remainder of the decade, the topic of "inflation" will continue to be relevant, sometimes more, sometimes less pronounced. Commodities are drivers of inflation, making the related companies interesting in the long term—especially during periods when the broader market might come under pressure.

It's About a Critical Resource

As one of the world's leading mining companies, Rio Tinto sits at the intersection of global economic development and natural resources. Iron ore, a central component of Rio Tinto's portfolio, deserves particular attention, as it is significantly influenced by global construction activity and economic dynamics in China. Currently, this focus is working against us, but we anticipate a recovery.

Fundamentals and Current Situation

Rio Tinto, headquartered in London with operational centers in Australia, is one of the world's largest iron ore producers. Iron ore is a key component of steel, which plays a fundamental role in construction and manufacturing industries. In recent years, we have witnessed significant volatility in iron ore prices, primarily driven by supply adjustments and fluctuating demand dynamics. After a substantial price increase in 2020, fueled by supply constraints and strong demand from China, prices have moderated recently due to various global economic factors and have even experienced notable declines.

The Role of Global Construction Activity

Global construction activity is a key driver of iron ore demand. Infrastructure projects, residential construction, and commercial developments

require large quantities of steel. During periods of intense construction activity, such as those seen in the early 2000s or following major economic stimulus packages, the demand for iron ore surges. This typically leads to price increases, from which mining companies like Rio Tinto benefit.

The Significance of China

As the world's largest steel producer by far, China draws immense quantities of iron ore from around the globe, primarily from Australia. China's construction activities, both in urban and infrastructure sectors, are the primary drivers of iron ore prices on the global market. During periods of economic expansion in China, the market often experiences high iron ore prices. Conversely, slowdowns in the Chinese economy, whether due to political decisions, trade conflicts, or other macroeconomic events, can lead to price declines. Nevertheless, Rio Tinto is not merely a "China stock," as the demand for infrastructure development is high in the USA, Europe, and many emerging markets as well.

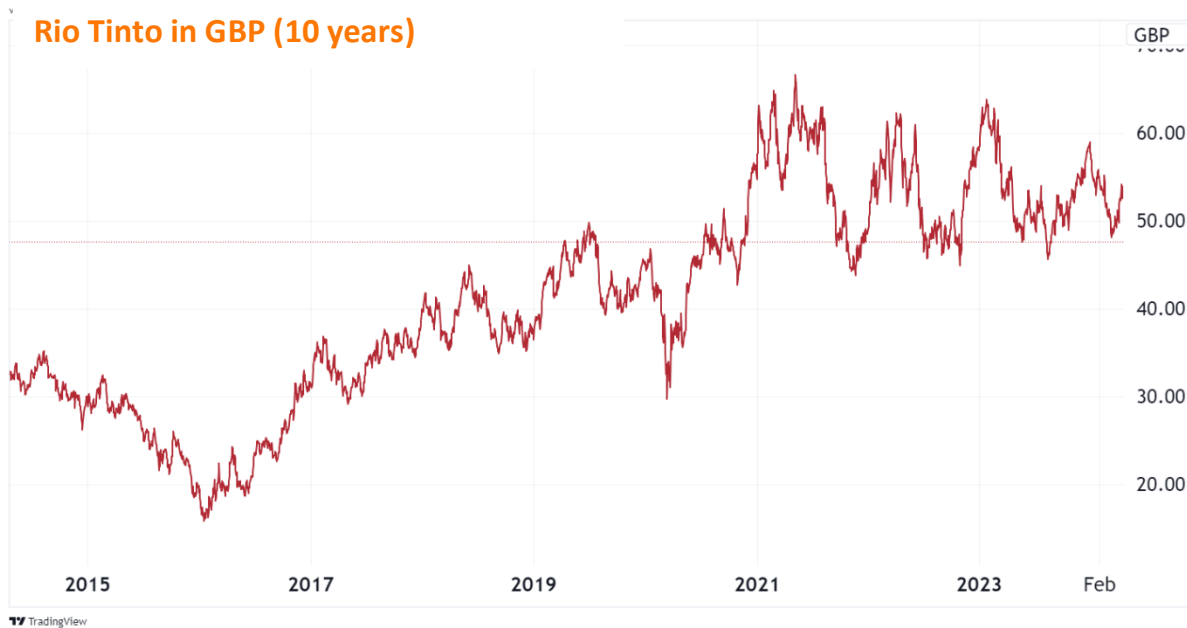
Challenges and Opportunities

Rio Tinto faces several challenges, including volatility in commodity prices, regulatory hurdles, and geopolitical tensions. However, despite these uncertainties, the market also offers numerous opportunities. The trend towards greener technologies, including electrification and increased energy efficiency, could create new demand markets for metals and minerals required in environmentally friendly technologies.

Rio Tinto

Rio Tinto Stock Check

Profit Growth:	Cyclical, therefore volatile	+ -
Debt:	Clean balance sheet	+
P/E Ratio Evaluation:	Attractive	+
Industry Outlook:	Medium-term positive	+
Technical Analysis:	No clear trend	+ -
Market Leader:	Leading in certain areas	+ -
Management Quality:	Solid and experienced	+
Dividend Yield:	Attractive for dividend investors	+
Business Model:	Highly cyclical	+ -
Insider Buys/Sells:	No significant activities	+



Rio Tinto <https://www.riotinto.com/invest>

ISIN	GB0007188757
Current Price	54.26 GBP
Market Capitalization	87.94 b. GBP
Profit Growth 2022 to 2025e	+13.8%
Dividend 2024e	4.41 GBP
Dividend Yield 2024e	8.1 %
Earnings Per Share 2024e	7.58 GBP
P/E Ratio 2024e	7.2

Buy-Order

ISIN	GB0007188757
Transaction	Buy
Exchange	LSE / NYSE
Quantity	15
Current Price	54.06 GBP / \$67.20
Buy-Limit	56 GBP / \$69

Our conclusion: Iron ore prices remain a central issue, heavily influenced by global construction activity and the economic dynamics of China. Rio Tinto is highly adaptable. We can only envision very few scenarios where demand remains persistently weak. The stock is also attractive due to its generous dividends, which are expected to continue in the coming years.