

FINANCIAL REVIEW

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HD **Short-seller king buys Australian ore**
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The world's largest short-seller, Jim Chanos, believes **coal** and **iron ore** miners in Australia with a lot of debt may be vulnerable to a slowdown in **China**'s real estate.

New York-based Mr Chanos, of \$4 **billion** fund manager Kynikos Associates, has also invested in **mining** giants BHP Billiton and Rio Tinto and told Australian property owners to "hit the bid" (that is, quickly accept offers) from **Chinese** buyers before capital flight is halted.

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Mr Chanos, one of the most prominent **China** bears, told AFR Weekend there was a "clear downturn" in the **Chinese** real estate market that would affect Australia as demand for **iron ore** fell.

"The problem that **iron-ore** centric miners are going to have is new capacity coming on as demand is falling," Mr Chanos said on the sidelines of the SALT hedge fund conference in Las Vegas. "But we are long on BHP and Rio because we think they are reasonably managed. They saw this coming and pulled back a couple of years ago.

"Whereas you have companies like Fortescue Metals Group and Vale that are full speed ahead."

Mr Chanos is also bearish on **coal** companies. He says he has identified some Australian **coal** miners with high debt levels that are vulnerable to reduced global demand "but none we are [prepared to be seen] talking about".

"Even with continued demand in India and **China**, the writing is on the wall that everyone is trying to reduce emissions," he said.

"**Solar** is starting to become economical on the margin. It's a small part of power generation, but it's growing and with natural gas as another alternative, **coal** is constantly going to get squeezed.

"You see that with thermal and **coal** prices. Both have continued to drop and there are a lot of leveraged **coal** players that have not adjusted to that reality."

Mr Chanos has long held bearish views on **China** and has targeted ASX-listed **iron ore** miner Fortescue Metals in the past. The question for Australia is how much flight capital is coming out

He is now warning that a **Chinese** government crackdown on corruption will hurt auctioneering house Sotheby's and Asian gaming stocks that have benefited as Macau casinos have been used to pay bribes to corrupt officials and circumvent capital controls.

China's premier, Li Keqiang, has led the crackdown that last week targeted the use of "Union Pay" credit cards to facilitate illegal transfers of money out of the mainland into Macau.

Mr Chanos believes it was an important event. He said the corruption crusade would have consequences for Australia, which has become an investment destination for wealthy **Chinese**.

"The question for Australia is how much flight capital is coming out of **China** and how much will continue to come out," said Mr Chanos.

He said Australian property owners and developers that were hoping to sell to **Chinese** investors should "hit the bid" and sell as quickly as they could. "Those counting on selling to the **Chinese** people two or three years from now – you might want to rethink that," he said.

Mr Chanos is best known for his short position on United States **energy firm** Enron, which fell from being one of the world's most admired companies to the one of corporate America's worst bankruptcies in 2002.

Mr Chanos has targeted other Australian companies in the past. He took a short position Macquarie Bank in 2007, prompting an extensive response from the Sydney-headquartered bank.

His fund, Kynikos Associates, is one of the largest short-selling funds in the world. But it has struggled as sharemarkets have risen and it was reported that it had posted a negative 14 per cent return last year. READ NEXT: Investors dump equities for **bonds** on global economy doubts How to get around the debt levy **Chinese** princeling rebuilds Sydney icon

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