

Gold is the only safe haven when fear takes over

Gold is having its day ...

Gold continued to take centre stage during the week, at one point achieving its biggest one day rise in seven years. Gold bulls will be coming out of the shadows and reclaiming their status after being beaten up by the Great Gold Short, which was orchestrated by Wall Street a couple of years ago. After five years of falling gold prices, during which at many times the paper gold assault was at odds with the physical market, we are now back to a gold market that should start to make sense.

Over the past few years gold has been in a downtrend in US\$ terms while at the same time it has been in uptrend in just about every other currency. It is now experiencing a breakout of that US\$ downtrend.

At the same time the oil price has been all over the shop, crunching to new lows and quickly followed by a huge 12% rebound on Friday evening in overseas markets. The percentage moves look dramatic; that is a symptom of complete confusion in the markets.

... as equity markets melt down

There is no feel-good factor in the markets ... except for gold. The Dow continued to be hammered during the week with some slight respite from Friday's rally. As at Friday's close its loss for 2016 was 8.3%, but 24 hours earlier it exceeded 10%. Corresponding falls for NASDAQ and the S&P were 15% and 10.7%, before the rally on Friday night. It is even uglier in Japan. The Nikkei fell by 5.6% at one point on Monday and by Friday it was down about 10% since the start of February.

The analysts and commentators are playing with semantics in defence of markets, saying that we are not yet "technically" in a bear market, but the reality is that all we can see now is rear guard action as markets retreat further. Call it what you will, but money is being lost. CNNMoney's Fear and Greed Index is reading "extreme fear".

Is oil really the cause of all this pain?

European banking stocks have been sold down very aggressively this year, nearly 30%. US financial stocks are down 20% and Japanese banks are down 35%. This has coincided with more countries taking interest rates into negative territory but is there something to the story? Who is selling banks and financials and why are they selling? Do the insiders know something we don't? Does it have something to do with the exposure that the financial sector has to the oil sector and are we waiting for auditors to review those accounts and force massive write downs? These are the questions being asked as there is a feeling out there in the markets like we saw in 2008/09, but we can't see a crisis through the mist, yet. This seems to be generating the fear.

Feedback from INDABA

I have been attending the renowned INDABA Conference, held in Cape Town. This was much quieter than in previous years for a number of reasons. It is increasingly becoming a show for mining industry service companies as opposed to mining companies themselves. As such there is less appeal to investors and analysts. Apart from that the downturn in the mining sector is keeping all but die-hard mining enthusiasts away. Very few Australians from the broking community were seen this year.

The changing nature of INDABA has led to other competing conferences being hosted in and around Cape Town. One such conference was to be hosted by GMP, but that company pulled the pin only a few weeks ago as part of the cost savings that also led to the decision to pull out of the London market. Needless to say, those who had already made their travel plans on the back of its conference were not impressed.

Yet there is always someone waiting in the wings to fill any gaps. Relatively new players in the conference game, 121, held a successful two day conference that was dominated by smaller emerging and prospective producers. These companies were somewhat enthusiastic notwithstanding the tight markets. Lithium plays were well sought after and vanadium was being mentioned by a few more people. Gold companies suddenly had wind in their sails. It was particularly noticeable how small the market capitalisations were for a number of AIM listed stocks ... and you thought the ASX listed companies were bad!

While the mood was quiet there were nevertheless many interesting situations that require follow-up. It is now the time to shake off the turbo-charged bear market that we have had and start to look for value situations, particularly in the gold sector.

Lucapa announcement delayed

Much to the frustration of all interested parties, Lucapa failed to come out with the announcement at the beginning of the week. While there was an expectation that the announcement would be a good one, the delay in the release runs the risk of eroding some of the enthusiasm. Let's see what comes out on Monday and we can see if the wait was worth it.

NB: No chart updates this due to travelling commitments.

Sentiment Indicator: No update to the Sentiment Indicator this week. There were xx% (25%) of the stocks in uptrend and xx% (61%) in downtrend.

Detailed Chart Comments

NB. Only the bold comments have been updated. Comments in grey type are from previous weeks and will be less relevant.

Indices	Code	Trend Comment	
All Ordinaries	XAO	rally within a downtrend	
Metals and Mining	XMM	in a steep wedge, near breakout position	
Energy	XEJ	rally within a downtrend	
Stocks	Code	Trend Comment (updated comments in bold)	Main Interest
ABM Resources	ABU	strong bounce	gold
Aeon Metals	AQR	New low	copper + cobalt
Alacer Gold	AQG	back to downtrend	gold – production
Alkane Resources	ALK	continuing down	gold, zirconia
Acacia Resources	AJC	Sideways at the bottom	coal
African Energy	AFR	still in downtrend	coal
Agua Resources	AGR	downtrend	phosphate
Attech Chemicals	ATC	breached downtrend	industrial minerals
Anova Metals	AWV	uptrend, but heavy pullback	gold
Archer Exploration	AXE	sideways	graphite
Argent Minerals	ARD	down	polymetallic
Atlas Iron	AGO	new low	iron ore
Atrum Coal	ATU	testing downtrend	coal
Australian Bauxite	ABX	New low	bauxite
Avanco Resources	AVB	New low	copper
AWE	AWE	New low	oil and gas
BHP	BHP	New low	diversified
Base Resources	BSE	further collapse - looking terminal	mineral sands
Beach Energy	BPT	New low	oil and gas
Beadell Resources	BDR	gentle uptrend continuing	gold
Berkeley Resources	BKY	testing uptrend	uranium
Blackham Resources	BLK	new high	gold
Broken Hill Prospect.	BPL	breached downtrend	minerals sands
Buru Energy	BRU	new low	oil
Canyon Resources	CAY	recapturing uptrend	bauxite
Carnegie Wave	CWE	sideways	wave energy
Cassini Resources	CZI	new low	nickel/Cu expl.
Chalice Gold	CHN	down	gold
Consolidated Tin	CSD	heavy slump	tin
Consolidated Zinc	CZL	breached uptrend	zinc
Coventary Resources	CYY	New low	copper
Cudeco	CDU	Collapse on relisting	copper
Dacian Gold	DCN	sideways	gold exploration
Danakiali	DNK	testing downtrend	potash
Doray Minerals	DRM	uptrend	gold
Duketon Mining	DKM	new low	nickel
Eden Energy	EDE	strong rally	carbon nanotubes
Energia Minerals	EMX	New low	zinc
Energy Resources	ERA	breached downtrend	uranium
Evolution Mining	EVN	recovering	gold
Excelsior Gold	EXG	strong rise	gold
First Australian	FAR	recovered but hitting longer term resistance	oil/gas
First Graphite	FGR	sideways to down	graphite
Fortescue Metals	FMG	ST down	iron ore

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Galaxy Resources	GXY		new high	lithium
Galilee Energy	GXY		down	oil and gas, CBM
Gascoyne Resources	GCY		uptrend	gold
General Mining	GMM		uptrend	lithium
Geopacific Res. Resources	GPR		Rise halted by long term downtrend	copper/gold exp.
Gold Road	GOR		uptrend	gold exploration
Goldphyre	GPH		down	potash
Gryphon Minerals	GRY		testing downtrend	gold
Herron Resources	HRR		down	zinc
Highfield Resources	HFR		less steep uptrend	potash
Highlands Pacific	HIG		sideways to down	copper, nickel
Hillgrove Resources	HGO		breached downtrend	copper
Hot Chili	HCH		new low	copper
Iluka Resources	ILU		breached downtrend, but crunched again	mineral sands
Independence	IGO		new low	gold, nickel
Intrepid Mines	IAU		down	copper
IMX Resources	IXR		down	graphite
Karoo Gas	KAR		at lows	gas
Kasbah Resources	KAS		new low	tin
KBL Mining	KBL		sideways	copper/gold/zinc
Kibaran Resources	KNL		breaching support	graphite
Kin Mining	KIN		at lows	gold
King Island Scheel.	KIS		New low	tungsten
Kingsgate Consol.	KCN		New low	gold
Kingsrose Mining	KRM		kicked up through downtrend line	gold
Legend Mining	LEG		weaker	exploration
Lithium Australia	LIT		surge to new high	lithium
Lucapa Diamond	LOM		rising again	diamonds
Macphersons Res.	MRP		down	silver
Medusa Mining	MML		rallying	gold
Metals of Africa	MTA		down again	zinc expl/graph.
MetalsX	MLX		down	tin, gold
Mincor Resources	MCR		new low	nickel
MMJ PhytoTech	MMJ		improving within downtrend	medical cannabis
Mount Gibson	MGX		sideways	iron ore
Mustang Resources	MUS		heavy fall	diamonds, rubies
MZI Resources	MZI		down	mineral sands
Newfield Resources	NWF		down	diamonds
Northern Minerals	NTU		new low	REE
Northern Star Res.	NST		rising again	gold
Oceana Gold	OGC		uptrend	gold
Oklo Resources	OKU		breached downtrend	gold expl.
OM Holdings	OMH		New low	manganese
OreCorp	ORR		pullback	gold development
Orinoco Gold	OGX		softer during rights issue	gold development
Orocobre	ORE		steep short term uptrend	lithium
Oz Minerals	OZL		testing downtrend	copper
Paladin Energy	PDN		still in LT downtrend	uranium
Pacific American Coal	PAK		pullback	coal
Pantorro	PNR		rising	gold
Panoramic Res	PAN		new low	nickel
Panterra Gold	PGI		downtrend	gold production
Paringa Resources	PNL		down	coal
Peel Mining	PEX		breached downtrend	copper
Peninsula Energy	PEN		down	uranium
Perseus Mining	PRU		down on poor December Qtr production	gold
Pilbara Minerals	PLS		ST downtrend, being tested	lithium/tantalum
Platina Resources	PGM		new low	PGMs, gold

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Potash West	PWN		rising	potash
Red River Resources	RVR		down	zinc
Regal Resources	RER		new low	copper
Regis Resources	RRL		uptrend	gold
Renaissance Min.	RNS		down again	gold
Resolute Mining	RSG		breached downtrend	gold
Reward Minerals	RWD		down	potash
Rex Minerals	RXM		secondary downtrend	copper
RIO	RIO		breached downtrend	diversified
RTG Mining	RTG		New low	copper/gold
Rum Jungle	RUM		collapse through support	quartz
Salt Lake Potash	SO4		uptrend	potash
Saracen Minerals	SAR		rising	gold
St Barbara	SBM		new high	gold
Sandfire Resources	SFR		down	copper
Santos	STO		new low	oil/gas
Sheffield Resources	SFX		down	mineral sands
Silver City Minerals	SCI		heavy fall	base metals
Silver Lake Resources	SLR		new uptrend commenced	gold
Sino Gas & Energy	SEH		collapse to new low	gas
Southern Gold	SAUI		sideways to higher	gold
Sthn Hemisphere	SUH		down	copper
Stavely Minerals	SVY		downtrend	copper exploration
Sunbird Energy	SNY		New low	gas/CBM
Sundance Energy	SEA		short term uptrend, approaching resistance	oil/gas
Syrah Resources	SYR		hitting resistance line	graphite
Talga Resources	TLG		down	graphene
Tanami Gold	TAM		breaching uptrend	gold
Tiger Resources	TGS		down again	copper
Torian Resources	TNR		fallen through	gold expl'n
Toro Energy	TOE		downtrend	uranium
Triton Minerals	TON		Turned down	graphite
Unity Mining	UML		breached downtrend	gold
UraniumSA	USA		Secondary downtrend	uranium
URI	URI		downtrend	uranium
Valence Industries	VXL		down - suspended	graphite
Vimy Resources	VMY		back to downtrend	uranium
West African Resources	WAF		base forming	gold
Westwits	WWI		breached uptrend	gold exploration/development
Western Areas	WSA		New low	nickel
Wolf Minerals	WLF		down	tungsten
Totals	25%	36	Uptrend	
	61%	86	Downtrend	
		142	Total	

Guides to Chart Interpretations

- Charts usually go pass from one trend (up or down) into the other via a period of indecision and uncertainty during which the trend can either recover or change. This period is signified by the orange colour. The orange represent both the greatest risk and greatest reward possibilities.
- Once a chart is in confirmed up or downtrends it is not uncommon for 10-20% of that trend to have already transpired.
- There are trends within trends. The focus of this chart review is the immediate trend that affects the sentiment i.e. it can be a downtrend within a long-term uptrend.
- Not every chart warrants a new comment every week. The new comments are in bold type. Grey type comments may be dated.
- Individual charts provide a single view. It is valuable to look at charts of other companies in similar commodities, and the overall sentiment is also very valuable. Not many stocks can swim against the tide.

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- We periodically add or delete charts, some times for obscure reasons. If a chart consistent gives poor signals or is very erratic, we may delete it. Sometimes we add a chart because we want to see what all the fuss is about. We do have a preference for charting stocks that we cover in our research as well.
- Errors and omissions may occur from time to time, especially in fast moving markets.

Amber Lights in Tables: Just a reminder if when the amber light is used in the table – it is when the charts are ambiguous or when there is a change of trend taking place. If a chart is breaching a downtrend it can either be a positive sign or a trap. Only once it has done more work can it be confirmed as a new uptrend. Maybe it is a new uptrend (or conversely a new downtrend); the risk takers can decide to jump on board early (or sell). They will maximise their profits (or minimise their losses if indeed it is the start of the new uptrend (downtrend). More risk-averse investors should wait a little longer, being prepared to give up some of the gains in return for greater certainty.

Weightings of Sectors Represented in the Company Charts

Sector	No. of Companies	Weighting
Gold	32	22.5%
Copper	19	13.4%
Oil/Gas	10	7.0%
Gold Exploration	8	5.6%
Uranium	8	5.6%
Graphite	8	5.6%
Potash/Phosphate	7	4.9%
Zinc	6	4.2%
Nickel	5	3.5%
Coal	5	3.5%
Mineral Sands	5	3.5%
Iron Ore	3	2.1%
Tin	3	2.1%
Lithium	4	2.8%
Silver	2	1.4%
Diamonds	3	2.1%
Bauxite	2	1.4%
Other	12	
Total	142	

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