

Bitcoin and blockchain - just some thoughts

This edition is more brief than normal. I spent most of last week on the road presenting at conferences, so I wasn't sitting on the market watching every move. From what I did see, there wasn't anything new to shift the markets into a different gear. On the Australian political front we did see Bill Shorten come up with another strategy to raise taxes, much to the amazement of almost everyone in the media and the financial sector.

When Kevin Rudd came in to power in 2007, the Liberals had left Australia in such a sound financial position that he was able to pursue the standard big spending strategy for which Labor is famous, without having to invent new taxes (apart from the mining tax). Nevertheless, Labor did succeed in ruining the national balance sheet so comprehensively that the Federal budget deficit continues to be a problem today. If Shorten gets into power next time around, his socialistic policies are just going to cost us all, as he brings in new taxes.

I am still curious as to why Malcolm Turnbull isn't making more political mileage out of not only the tax changes that Labor is proposing, but all of the other items on which Labor is stumbling. He seems to miss opportunities to remind the electorate of what the alternative to the Liberals would be like, should they get into power. We might think that he is waiting for the election campaign, in due course, but there was nothing about his campaigning last time to make us think that he is an expert in this field.

Bitcoin, cryptocurrencies and blockchain

All readers of the Weekly will know about Bitcoin and blockchain, to a greater or lesser extent. There are many articles every week that delve into the subject, but they are often uninspiring. As yet, they have not convinced me that I have to be there.

I get that the technology gives us certainty of transactions going back in time, but is that always necessary when it is the transaction that I am involved with right now, which is relevant to me? Maybe auditors and the tax department can benefit, but personally, I would rather have a bit more privacy.

It was explained to me that the blockchain methodology obviates the need for trust. You don't have to trust an individual or a company you are dealing with, because it is a "trustless" system. There is no longer a need for trust.

Trust is very important in business. It is very hard to win someone's trust, but it can be lost in an instant. We only

want to deal with people we can trust, but that isn't always an option. Sometimes we have to transact anyway and hope for the best. We may be nervous, but usually it works out and we can relax later. Having the initial caution is an important part of risk assessment. We learn as we go, and hopefully we get better.

What if we entered a world where trust wasn't necessary? Would we lose, or greatly diminish our human skill in learning how to extend trust to others? Would trust only be relevant in personal relationships, and not in business dealings (assuming you can't follow a person's private life history through blockchain technology)?

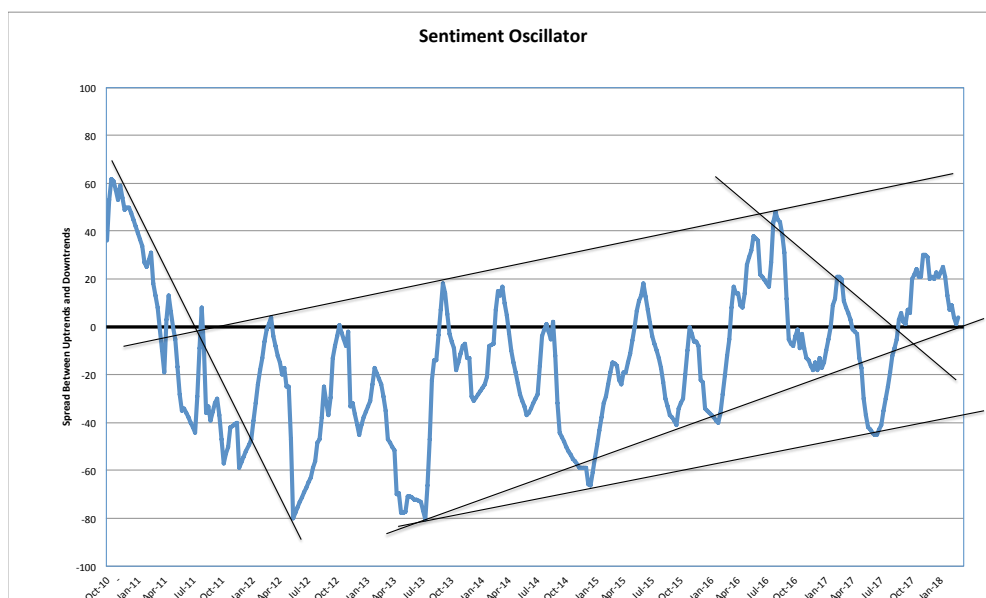
Who wants everything that ever happened to be permanently documented anyway? Imagine how oppressive that would be, not being able to go to confession to have the slate wiped clean. There would be no fresh starts as there would be no escaping history.

One interesting article I read last week was written by Sava Mihic, a quant analyst with Platinum Asset Management. I had not realised how much money is being made by facilitators of Bitcoin. The cryptocurrency exchanges are taking 0.5% on each side of the transaction, meaning that at recent volumes of US\$10bn, Bitcoin exchanges are pulling in US\$100m per day. That is a huge US\$36bn p.a. Add in the rest of the cryptocurrencies and the fees jump to around US\$60bn, on very little cost. The crypto exchanges are the true winners of the Bitcoin phenomenon, according to Sava.

Big computing is becoming more important every year, as increasing amounts of mega data are being processed more quickly, with automated analysis. This is part of where society is going. If you want to know where it ends up, you could take some guidance from science fiction novels written over the last 20 years. We have already seen how society has got down the path that Ayn Rand predicted.

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Sentiment Indicator: Sentiment recovered slightly over the week, back to where it was two weeks ago with 35% (34%) of the charts in uptrend and 31% (33%) in downtrend on Friday's close.



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	still in uptrend, in a flag	
Metals and Mining	XMM	testing short term correction	
Energy	XEJ	but short term lower	
Stocks	Code	Trend Comment (updated comments in bold)	Main Interest
ABM Resources	ABU	spiked higher on St Barbara taking \$6m	gold
Aeon Metals	AML	rising again	copper + cobalt
Alacer Gold	AQG	holding uptrend	gold – production
Alkane Resources	ALK	down after hitting LT resistance	gold, zirconia
Acacia Resources	AJC	Sideways at the bottom	coal
Agua Resources	AGR	breached secondary downtrend	phosphate
Alicanto Minerals	AQI	breached downtrend	gold exploration
Allegiance Coal	AHQ	on support line	coal
Alliance Resources	AGS	testing uptrend	gold exploration
Altech Chemicals	ATC	holding on support line	industrial minerals - synthetic sapphire
Anova Metals	AWV	falling again	gold
Antipa Minerals	AZY	new low	gold
Apollo Consolidated	AOP	testing short term correction	gold exploration
Archer Exploration	AXE	down	magnesite, graphite
Argent Minerals	ARD	still in downtrend	polymetallic
Aurelia Metals	AMI	punched through resistance	gold + base metals
AusTin	ANW	testing short term correction	tin, cobalt
Australian Bauxite	ABX	continuing in downtrend	bauxite
Australian Potash	APC	wedge forming	potash
Australian Mines	AUZ	breached short term downtrend	cobalt/nickel
Australian Vanadium	AVL	new high	vanadium
Avanco Resources	AVB	downtrend	copper
Azure Minerals	AZS	down	silver
BHP	BHP	short term down	diversified
Base Resources	BSE	weakening	mineral sands
Bathurst Resources	BRL	new high	coal

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Battery Minerals	BAT	correcting lower	graphite
BBX Minerals	BBX	down	gold
Beach Energy	BPT	new high	oil and gas
Beadell Resources	BDR	another new low	gold
Berkeley Energia	BKY	uptrend breached	uranium
Berkut Minerals	BMT	spiked to new high, then heavy fall	cobalt
Blackham Resources	BLK	new low	gold
Blackstone Minerals	BSX	breached downtrend	gold, cobalt
Broken Hill Prospect.	BPL	testing recent uptrend	minerals sands, cobalt
Buru Energy	BRU	pullback	oil
Cardinal Resources	CDV	testing short term downtrend	gold exploration
Cassini Resources	CZI	rising	nickel/Cu expl.
Celsius Resources	CLA	downtrend	copper/cobalt
Chalice Gold	CHN	on support line	gold
Cobalt Blue	COB	new high	cobalt
Comet Resources	CRL	breached uptrend	graphite/graphene
Consolidated Zinc	CZL	continuing weakness	zinc
Corizon Mining	CZN	testing downtrend	cobalt
Crusader Resources	CAS	new low	gold/iron ore
Dacian Gold	DCN	back to highs	gold exploration
Danakali	DNK	sideways under resistance line	potash
Doray Minerals	DRM	testing new uptrend	gold
Draig Resources	DRG	testing uptrend	gold
Eden Innovations	EDE	down	carbon nanotubes in concrete
Egan Street Resources	EGA	sideways	gold
Emerald Resource	EMR	gently down	gold
Evolution Mining	EVN	new high	gold
Excelsior Gold	EXG	slump, testing uptrend	gold
Finders Resources	FND	sideways through support line	copper
FAR	FAR	sideways	oil/gas
First Cobalt	FCC	breached steepest downtrend	cobalt
First Graphene	FGR	strong rise	graphite
Frontier Diamonds	FDX	down after IPO	diamonds
Fortescue Metals	FMG	downtrend	iron ore
Galaxy Resources	GXY	good rally	lithium
Galilee Energy	GLL	new high	oil and gas, CBM
Gascoyne Resources	GCY	testing steeper downtrend	gold
Global Geoscience	GSC	new high	lithium
Gold Road	GOR	new high	gold exploration
Golden Rim	GMR	down	gold exploration
Graphex Mining	GPX	breaching downtrend	graphite
Heron Resources	HRR	testing downtrend	zinc
Highfield Resources	HFR	long term downtrend	potash
Highlands Pacific	HIG	breached uptrend	copper, nickel
Hillgrove Resources	HGO	sideways	copper
Iluka Resources	ILU	new high	mineral sands
Image Resources	IMA	down	mineral sands
Independence Group	IGO	rallied to new high	gold, nickel
Jervois Mining	JVR	downtrend	nickel/cobalt
Karoo Gas	KAR	testing new uptrend	gas
Kasbah Resources	KAS	still in LT downtrend	tin
Kibaran Resources	KNL	new low	graphite
Kin Mining	KIN	down heavily	gold
Legend Mining	LEG	falling to support line	exploration

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Lepidico	LPD		back to near highs	lithium
Lithium Australia	LIT		breached uptrend	lithium
Lucapa Diamond	LOM		forming a base	diamonds
Macphersons Res.	MRP		down	silver
Marmota	MEU		down	gold exploration
MetalsX	MLX		breached uptrend, then a rally	tin, nickel
Metro Mining	MMI		at highs	bauxite
Mincor Resources	MCR		breached uptrend	nickel
Mineral Deposits	MDL		uptrend steepening	mineral sands
Myanmar Minerals	MYL		downtrend	zinc
MZI Resources	MZI		testing downtrend	mineral sands
Northern Cobalt	N27		breached downtrend	cobalt
Northern Minerals	NTU		down again	REE
Northern Star Res.	NST		new high	gold
NTM Gold	NTM		down	gold
Oceana Gold	OGC		testing downtrend	gold
Oklo Resources	OKU		in a rising wedge	gold expl.
OreCorp	ORR		breached recent uptrend	gold development
Orinoco Gold	OGX		steep uptrend	gold development
Orocobre	ORE		looks like it wants to go down	lithium
Oz Minerals	OZL		continuing in uptrend	copper
Pacific American Coal	PAK		heavy correction	coal, graphene
Pantoro	PNR		new high	gold
Panoramic Res	PAN		on support line	nickel
Peel Mining	PEX		surge to new high, then pullback	copper
Peninsula Energy	PEN		back in downtrend	uranium
Perseus Mining	PRU		breached downtrend	gold
Pilbara Minerals	PLS		breached uptrend	lithium/tantalum
PNX Metals	PNX		sideways	gold, silver, zinc
Red River Resources	RVR		fallen to support line	zinc
Regis Resources	RRL		new high	gold
Resolute Mining	RSG		sideways	gold
RIO	RIO		fallen to support line	diversified
Salt Lake Potash	SO4		breached downtrend	potash
Saracen Minerals	SAR		new high	gold
St Barbara	SBM		strong	gold
Sandfire Resources	SFR		rising	copper
Santana Minerals	SMI		new low	silver
Santos	STO		correcting lower	oil/gas
Sheffield Resources	SFX		sideways	mineral sands
Silver Lake Resources	SLR		breached downtrend	gold
Sino Gas & Energy	SEH		confirming uptrend	gas
Southern Gold	SAU		drifting lower	gold
Stanmore Coal	SMR		rising	coal
Sundance Energy	SEA		testing uptrend	oil/gas
Syrah Resources	SYR		testing downtrend	graphite
Talga Resources	TLG		breaching resistance line	graphene
Tanami Gold	TAM		down	gold
Tempo Australia	TPP		testing downtrend	mining services
Tiger Realm	TIG		spiked higher, off lows	coal
Torian Resources	TNR		testing downtrend	gold expl'n
Triton Minerals	TON		uptrend being tested	graphite
Troy Resources	TRY		back in downtrend	gold
Tyranna Resources	TYX		breached steepest downtrend	gold exploration

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Vango Mining	VAN		testing downtrend	gold
Vector Resources	VEC		breaching uptrend	gold
Vimy Resources	VMY		sideways through uptrend	uranium
West African Resources	WAF		uptrend	gold
Westwits	WWI		sideways	gold exploration/development
Western Areas	WSA		rallying	nickel
White Rock Minerals	WRM		new low	silver
Whitehaven Coal	WHC		gently higher	coal
WPG Resources	WPG		testing recent uptrend	gold
Wolf Minerals	WLF		new low	tungsten
Totals	35%	50	Uptrend	
	31%	44	Downtrend	
		143	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.
- 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	34	23.8%	
Gold Exploration	15	10.5%	
Copper	10	7.0%	
Coal	8	5.6%	
Oil/Gas	8	5.6%	
Graphite	8	5.6%	
Mineral Sands	7	4.9%	
Cobalt	7	4.9%	
Zinc	6	4.2%	
Lithium	6	4.2%	
Silver	5	3.5%	
Nickel	5	3.5%	
Potash/Phosphate	5	3.5%	
Uranium	3	2.1%	
Bauxite	2	1.4%	

Weightings of Sectors Represented in the Company Charts			
Tin	3	2.1%	
Diamonds	3	2.1%	
Iron Ore	1	0.7%	
Other	7		
Total	143		

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