

19 November 2016

On Friday's Close

Analyst : Warwick Grigor

Ford is about to use graphene in its automobiles. Maybe FGR could be a supplier.

So much for Trump being good for gold ...

The pundits all said that a Trump victory was good for gold. They were right, for about five minutes. The fall back to US\$1208/oz just goes to show how unpredictable gold can be, but is there more to it than meets the eye? It appears that there was another aggressive sell down from parties seeking to neutralise the gold price. We have seen it before and we will see it again. It doesn't change the big picture but it does support the view we expressed a few weeks ago that gold was not the go to commodity in the short term.

We can see a classic bull trap in many of the gold stocks following the election. Short term downtrends were broken right across the sector but within a few days the share prices tumbled to new lows as the gold price fell out of bed. In the rush to get out many optimists will have had their aspirations shattered.

... but he is good for metals generally

It has been two weeks since a chart update so a few comments are warranted. The All Ords is working under a downtrend, even though there has been a strong rally over the past week. It is just under the resistance line now, so it could turn down again. The Energy index has pulled back to support levels and seems to be comfortably in a gentle uptrend. The Metals and Mining has spiked hard but is now correcting within a strong uptrend. Thus the resources stocks look a much better bet than industrials generally but with one commodity excluded - gold.

Fiscal policy is rising into ascendancy

For many months, if not years, the commentators have been saying that we need inflation to get the wheel turning again and thereby avoid a recession. It is the stated objective of Japanese Abenomics to stimulate inflation. We have gone through a period where central banks believed that the best way to stimulate the economy was to have interest rate near or at zero, or even lower. That strategy hasn't really worked.

Now with the election of Trump and his promises of infrastructure spending the whole psychology is changing. The baton looks like it will be picked up by fiscal policy, that tool which has been locked away in the cupboard while monetary policy has shouldered all of the responsibility. It seems so easy now that it promises to happen, if the stock market reaction is any guide.

Interests rates will become more autonomous

When monetary policy was the boss we had plenty of debate about interest rate rises, with Yellen playing cat and mouse with market expectations. The knowledge that rising interest rates drive bond prices down has been a bogie hanging over the market for a long time with the markets being hypersensitive to changes in expectations. Enter Trump and infrastructure stimulation and the ball has been taken out of the Fed's court. The market will adjust bond

and share prices in anticipation of the inflationary impact of stimulation rather than wait for the Fed to make decisions.

Yields on equities will have to adjust to meet interest rate expectations so share prices will fall, but the flip side to this is that the economy should start to grow at a better pace and corporate earnings will improve. It is hoped that the better profits will lead to higher dividend payments that will restore share prices. That is how the theory goes.

New dynamics are now in play

Looking at the practicalities of markets it means that there are new dynamics to consider. There will be different winners and losers. Suppliers of raw materials and commodities will see demand improving so mining stocks will do better. Maybe it means there will be more demand for oil but you need to balance this off with alternative energy growth and battery developments. There will continue to be bull and bear phases in the stock markets throughout the new dynamics as expectations rise and fall with varying levels of delivery, and as reality take hold.

IDTechEx technology Show

The last leg of my trip has been the IDTechEx Show in Santa Clara, which is a convention that covers all sorts of new technologies including 3D printing, electric vehicles, energy harvesting and storage, internet of things, pointed electronics, wearable electronics and graphene. It is a snapshot on the future of industry, and technologies that will be driving it and as such, it is mind boggling. The biggest areas of growth from the last one I went to in mid 2015, has been in wearable electronics and ultra thin batteries.

Strong interest in FGR's process and product

First Graphite Resources had a booth where it is showcasing its Graphene Cell, and it presented a paper. The interest in FGR's graphene was astonishing, from existing graphene producers through to developers of applications and industry consumers. There were many requests for samples to test whether the product was suitable for their purposes. One of the more interesting discussions was with an existing 10 tpa graphene producer in Taiwan. The party wants to expand to 100 tpa, but has held back for now while it assesses the optimum production technology. At the moment it uses synthetic graphite to make graphene, but it now thinks that it might be smarter to let FGR supply its lower cost, high quality graphene so that it can concentrate on the applications end of the graphene business. This is pointer to the future. If there is one company in this position there will be more.

FGR could find many opportunities at its doorstep over the next few months as these expressions of interest are followed through. Examples of potential buyers that FGR met at the conference were paint and coating manufacturers, ink manufacturers, automotive component

manufacturers and even aircraft manufacturers i.e Boeing. Industry is starting to wake up to the opportunity.

Ford is on the cusp of using graphene in its cars

Ford Motor Company gave a paper at the show. The biggest takeaway from that was the statement that it expected to be using graphene extensively in its cars within a couple of years. When questioned by the audience, it said that this will be as early as 2017, when Ford would use it in engine covers for reasons of heat dispersion and mechanical properties. It was also looking at graphene for batteries and energy storage, but that time frame was longer.

Ford said that it was getting better than 20% improvements in tensile and flexural strength in body parts with 0.25% w.t. loadings of graphene into nano-composites. It is now investigating graphene uses in smart textiles such as those used for heating and cooling car seats. While the challenge is in the dispersion of graphene, it is obviously a solvable problem.

So, there you have an unambiguous statement. Graphene is about to go into Ford automobiles. If one company is at this point in the process you can be sure there are many others on the same cusp. First Graphite is perfectly positioned to supply the graphene, as it told Ford when it came to the FGR booth. Business cards were exchanged.

Santana drilling is delivering on expectations

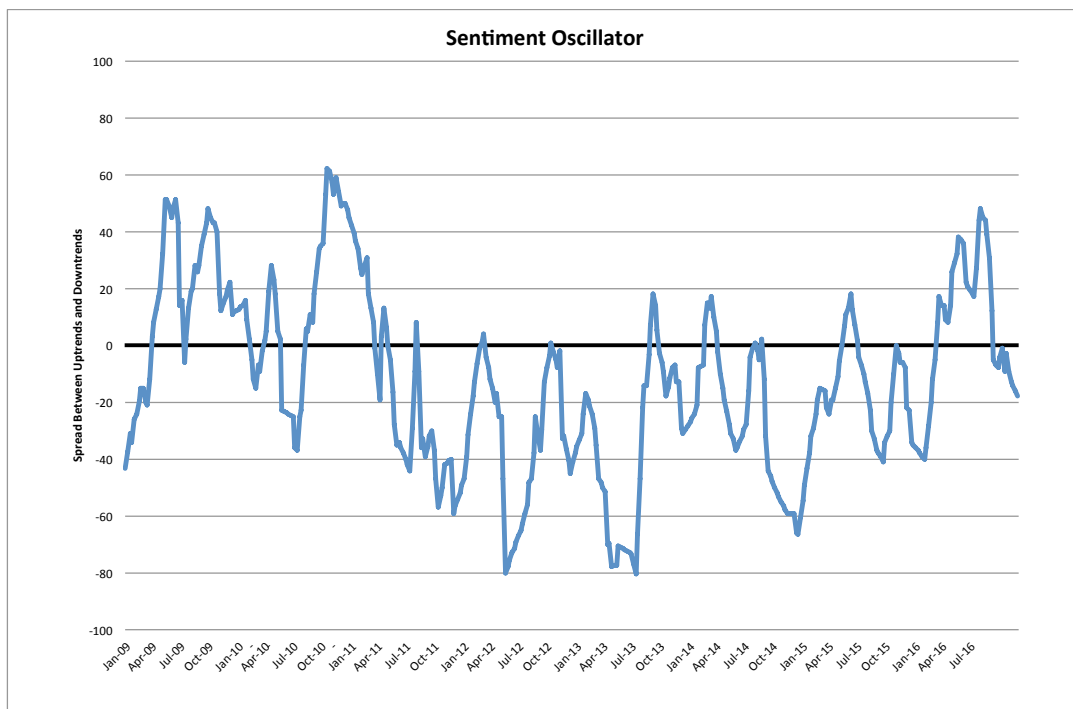
Last week SMI released drill results from the first 25% of the drill program currently underway at the Mojardina Loop Prospect of the Cuitaboca Project. We can point out some of the better holes that reported intercepts of 7m at 83 gpt Ag, and 8m at 116 gpt Ag as examples of success, but as I frequently say, this is not a smart methodology. Its best to look at what is being targeted and whether or not expectations are being met.

These latest holes are consistent with the model being pursued by SMI. There are no surprises. It continues to hold promise for 100 Moz at grades of 80-100 gpt Ag and the results support that objective. So, steady as she goes. The only negative out there at the moment is the gold price, which is having an impact on the silver price, but that is out of SMI's control.

Cobalt Blue IPO launched

For those of you who might not have heard, the prospectus for the Cobalt Blue IPO is now available on the link below. This promises to be one of the more legitimate cobalt plays in the market at a time when cobalt is seen as a strategic metal for batteries. Supply side concerns are driving high levels of interest in cobalt. FEC is Lead Manager to the IPO.

<https://cobaltblueholdings.com/download-prospectus/>



Sentiment Indicator: This week there were 24% (31%) of the charts in uptrend and 44% (44%) in downtrend. The bulls have been falling away, mostly because of gold's performance. The Sentiment Oscillator is not giving any positive signals as it heads further into negative territory.



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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	downtrend, but has rallied strongly	
Metals and Mining	XMM	strongly higher then a pullback	
Energy	XEJ	gentle uptrend	
Stocks	Code	Trend Comment (updated comments in bold)	Main Interest
ABM Resources	ABU	strongly higher	gold
Aeon Metals	AML	breaching ST downtrend	copper + cobalt
Alacer Gold	AQG	down heavily	gold – production
Alkane Resources	ALK	correcting lower	gold, zirconia
Acacia Resources	AJC	Sideways at the bottom	coal
Agua Resources	AGR	down again	phosphate
Alicanto Minerals	AQI	down heavily	gold exploration
Altech Chemicals	ATC	down	industrial minerals
Anova Metals	AWV	holding uptrend	gold
Antipa Minerals	AZY	testing downtrend	gold
Archer Exploration	AXE	breached downtrend	magnesite, graphite
Argent Minerals	ARD	downtrend	polymetallic
Aspire Mining	AKM	broadly higher	coal
Atrum Coal	ATU	heavy pullback	coal
Aurelia Metals	AMI	testing downtrend	gold + base metals
Auroch Minerals	AOU	breached downtrend with sharp rise	exploration
Aus Tin	ANW	sideways	tin, cobalt
Australian Bauxite	ABX	turned down at resistance	bauxite
Australian Vanadium	AVL	downtrend	vanadium
Avanco Resources	AVB	breached downtrend	copper
AWE	AWE	down again	oil and gas
Azure Minerals	AZS	downtrend	silver
BHP	BHP	strongly higher	diversified
Base Resources	BSE	rising	mineral sands
Bathurst Resources	BRL	strongly higher	coal
Beach Energy	BPT	steeply rise	oil and gas
Beadell Resources	BDR	lower	gold
Berkeley Resources	BKY	breached uptrend	uranium
Blackham Resources	BLK	heavy fall	gold
Broken Hill Prospect.	BPL	adjusted after Cobalt Blue distribution	minerals sands, cobalt
Buru Energy	BRU	testing downtrend	oil
Canyon Resources	CAY	testing downtrend	bauxite
Cardinal Resources	CDV	collapse	gold exploration
Carnegie Wave	CWE	stronger	wave energy
Cassini Resources	CZI	testing uptrend	nickel/Cu expl.
Chalice Gold	CHN	new high	gold
Crusader Resources	CAS	new low	gold/iron ore
Dacian Gold	DCN	testing uptrend	gold exploration
Danakali	DNK	sideways	potash
De Grey	DEG	sideways	gold
Doray Minerals	DRM	down	gold
Duketon Mining	DKM	heavy fall	nickel
Eden Energy	EDE	sideways	carbon nanotubes in concrete
Energia Minerals	EMX	down	zinc
Evolution Mining	EVN	down	gold
Excelsior Gold	EXG	rallying	gold
Finders Resources	FND	strong uptrend	copper
First Australian	FAR	sideways to lower	oil/gas
First Graphite	FGR	testing ST resistance line	graphite

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Fortescue Metals	FMG		new high	iron ore
Galaxy Resources	GXY		heavy fall	lithium
Galilee Energy	GLL		breached downtrend	oil and gas, CBM
Gascoyne Resources	GCY		breaching support	gold
Geopacific Res. Resources	GPR		down	copper/gold exp.
Global Geoscience	GSC		testing downtrend	lithium
Gold Road	GOR		breached downtrend	gold exploration
Goldphyre	GPH		short term down	potash,gold
Graphex Mining	GPX		downtrend	graphite
Herron Resources	HRR		breached uptrend	zinc
Highfield Resources	HFR		rallying	potash
Highlands Pacific	HIG		sideways around lows	copper, nickel
Hillgrove Resources	HGO		testing downtrend	copper
Hot Chilli	HCH		testing downtrend	copper
Iluka Resources	ILU		rallying	mineral sands
Image Resources	IMA		down	mineral sands
Independence	IGO		rallying	gold, nickel
Intrepid Mines	IAU		sideways - 7¢ capital return proposed	copper
Karoo Gas	KAR		rise from lows	gas
Kibaran Resources	KNL		breached support line	graphite
Kin Mining	KIN		breached uptrend	gold
Legend Mining	LEG		breach of gentle downtrend	exploration
Lithium Australia	LIT		downtrend	lithium
Lucapa Diamond	LOM		recapturing uptrend	diamonds
Macphersons Res.	MRP		down	silver
Medusa Mining	MML		still in long term downtrend	gold
Metals of Africa	MTA		vertical rise	graphite
MetalsX	MLX		downtrend	tin, gold
Metro Mining	MMI		rising	bauxite
Mincor Resources	MCR		down	nickel
Mineral Deposits	MDL		downtrend	mineral sands
Mustang Resources	MUS		at lows	diamonds, rubies
MZI Resources	MZI		still in downtrend	mineral sands
Northern Minerals	NTU		breaching uptrend	REE
Northern Star Res.	NST		sell down	gold
Oceana Gold	OGC		down	gold
Oklo Resources	OKU		breached downtrend	gold expl.
OreCorp	ORR		down	gold development
Orinoco Gold	OGX		down	gold development
Orocobre	ORE		testing downtrend	lithium
Oz Minerals	OZL		new high	copper
Paladin Energy	PDN		down again	uranium
Pacific American Coal	PAK		downtrend	coal, graphene
Pantoro	PNR		breached steepest uptrend	gold
Panoramic Res	PAN		rising	nickel
Paringa Resources	PNL		strong recovery	coal
Peel Mining	PEX		gentle uptrend	copper
Peninsula Energy	PEN		falling again	uranium
Perseus Mining	PRU		Uptrend	gold
Pilbara Minerals	PLS		breached downtrend	lithium/tantalum
PNX Metals	PNX		strong surge	gold, silver, zinc
Potash West	PWN		falling	potash
Red River Resources	RVR		still in uptrend	zinc
Regis Resources	RRL		down	gold
Resolute Mining	RSG		breached support line	gold
Reward Minerals	RWD		strong rise	potash
Rex Minerals	RXM		back to lows	copper
RIO	RIO		still strong	diversified

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RTG Mining	RTG		breached support line	copper/gold
Rum Jungle	RUM		sideways	quartz
Salt Lake Potash	SO4		steeply higher	potash
Saracen Minerals	SAR		down	gold
St Barbara	SBM		down	gold
Sandfire Resources	SFR		stronger	copper
Santana Minerals	SMI		down	silver
Santos	STO		breached downtrend	oil/gas
Sheffield Resources	SFX		down	mineral sands
Silver Lake Resources	SLR		breached downtrend	gold
Silver Mines	SVL		down	silver
Sino Gas & Energy	SEH		sideways to down	gas
Southern Gold	SAU		down	gold
Stanmore Coal	SMR		breached steep uptrend	coal
Sundance Energy	SEA		new uptrend confirmed	oil/gas
Syrah Resources	SYR		heavy fall	graphite
Talga Resources	TLG		sideways	graphene
Tanami Gold	TAM		new high	gold
Teranga Gold	TGZ		down heavily	gold
Tiger Realm	TIG		surging higher	coal
Tiger Resources	TGS		breaching downtrend	copper
TNG Resources	TNG		breached uptrend	titanium, vanadium
Torian Resources	TNR		down	gold expl'n
Toro Energy	TOE		downtrend	uranium
Troy Resources	TRY		secondary downtrend	gold
Tyranna Resources	TYX		testing uptrend	gold exploration
Vimy Resources	VMY		sideways through downtrend line	uranium
West African Resources	WAF		down	gold
Westwits	WWI		ST downtrend	gold exploration/development
Western Areas	WSA		up again	nickel
White Rock	WRM		down	silver
Whitehaven Coal	WHC		heavy correction	coal
WPG Resources	WPG		sideways	gold
Wolf Minerals	WLF		continuing down	tungsten
Totals	26%	36	Uptrend	
	44%	61	Downtrend	
		140	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	33	23.6%	
Copper	14	10.0%	
Gold Exploration	11	7.9%	
Oil/Gas	9	6.4%	
Potash/Phosphate	7	5.0%	
Mineral Sands	7	5.0%	
Graphite	6	4.3%	
Zinc	5	3.6%	
Silver	6	4.3%	
Lithium	5	3.6%	
Nickel	5	3.6%	
Uranium	5	3.6%	
Coal	10	7.1%	
Tin	2	1.4%	
Bauxite	3	2.1%	
Iron Ore	1	0.7%	
Diamonds	2	1.4%	
Other	9		
Total	140		

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