

Volatility may bring stimulus back onto the agenda

The markets have turned neurotic this year with sellers hitting the markets with new found aggression. Selling begets selling and the psychology has a life of its own. It is questionable whether this is rational behaviour or not, but for market participants the only reality is what they see on the screen. The view could be very different in a month's time though as heavy selling inevitably results in buying, at some point. Buying that came in at the end of the week, particularly on Friday, could mark the turning point.

Concern at what all this selling means has caused speculation that there may be another bout of stimulus coming. Whether it is a rumour or it is real remains to be seen, but the suggestion did offer markets some encouragement.

As far as the charts are concerned our All Ordinaries point and figure charts suggests that we are at the end of the selling and we could see a bounce. The same for Metals and Mining. The Energy indexes already started to recover with the stronger oil prices at the end of the week.

Gold sector has been the firmest

Amidst the turmoil and the panic in markets over the last few weeks the performance of gold has been credible in its stability, though not spectacular. The gold shares have mostly been strong where they have been delivering operationally. The gold sector is not subject to the same supply issues that the bulks are experiencing, though at all times there is unlimited supply if short sellers wish to become aggressive. There is no reason to believe that is about to happen so this sector should continue to offer opportunities on a stock specific basis.

One company that we have been accumulating is Pantoro (previously Pacific Nuigini). While still small in market capitalisation it has been making excellent progress with the commissioning and ramp up of the Nicholsons gold mine near Halls Creek, in WA. So far it has been processing development ore but as this quarter progresses it will move onto higher grade stoping ore. This is a new gold company that you should keep an eye on.

Lithium stocks firing

Lithium stocks have been firing over recent weeks with one of the best performers being Galaxy Resources. Not long ago it was selling for 3¢, but during the week it punched through 20¢. We know that lithium is an essential component of lithium ion batteries and that ties in with alternative energy, but it seems as if the dramatic rise in share prices stems from the rise in the price of lithium carbonate late last year, shown in the graph from The Economist, below.

A question to be asked is whether this rise in price has been caused by speculators or whether it is fundamental,

based on real increase in demand. The answer will advise us as to the sustainability of the price rise, and therefore the sustainability of the run in lithium share prices. An article in The Economist makes the valid point that lithium-ion batteries are far from perfect, but they are the best we have. Lithium is also being combined with other materials in an effort to improve performance. R & D is ongoing. Aggressive investors should be looking at other components in lithium based batteries to see if they may be targeted by speculators as well, particularly those where there is tight supply. Graphite is needed for batteries but there is a wall of supply waiting to hit the market over the next few years. Graphene is another matter. It promises significant enhancements of performance that exceed graphite's abilities but the shortage of supply is holding back the commercialisation of graphene in this and many other areas. As it becomes available in larger quantities in 2016, and at lower cost from companies such as First Graphite and Talga, it will start to take centre stage.

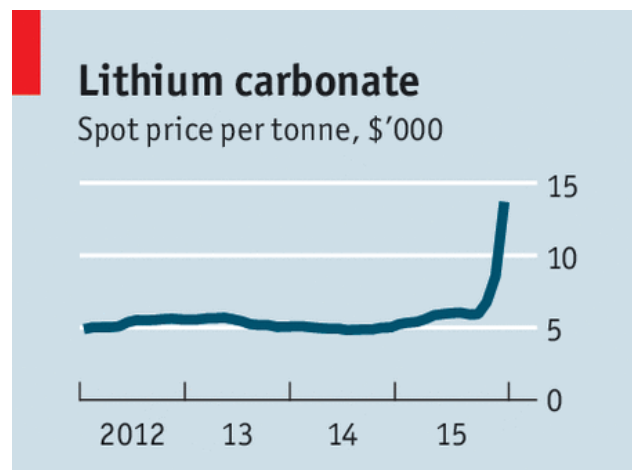


Chart Courtesy of The Economist

Lucapa confirms another high value mining site

On Friday, Lucapa announced the discovery of a 133 carat diamond from Block 6. While this was positive news I think there was something much more significant in the release - the confirmation of another rich site about 2 km from the impressive Block 8.

An earlier announcement referred to the difficulties of accessing Block 8 due to the flooding in the wet season. The market then assumed that diamond production would be sourced from less profitable areas for the next few months. Some punters commented that nothing exciting was going to happen in the short term due to the amount of water, as demonstrated in the photograph in an ASX release last Monday. Well, the market may have to realign its expectations.

Block 6 covers higher elevation ground that can be accessed throughout the wet season, which is very positive for production. It seems as this location alone will provide enough gravels for an incremental 12 months of plant. Again, very positive, but on the more speculative front the location suggests that there could be another rich kimberlite nearby. The 133 carat diamond is a messy looking “cluster” diamond. It is not of high gem quality, but the nature of the diamond is that it can't have travelled very far - otherwise it would have broken up.

We are still waiting for further confirmation of the kimberlite pipe at Block 8. Specifically, we are waiting on results of a gravity survey to define the anomaly. Hopefully we will have results within a couple of weeks, and then the drill rig can start to test the anomaly as we progress through February. Previously the shares hit 60¢ on expectations of a confirmed hard rock source. They came down heavily on profit taking and the exercise of options. The punters realised it would take a few more months to provide geological certainty. When that is achieved we should see serious, sustained buying and the testing of the previous highs. All those April 2016, 30¢ options may cause a bit of a drag, but they could also bring in useful cash (59 million, 30¢ strike, potentially \$17.7m).

Uranium commissioning going well for Peninsula

As previously highlighted, Peninsula has joined the ranks of uranium producers with the ISR Lance Project in Wyoming, USA. The commissioning period is often a high risk exercise - the make or break point for new mining projects. So, it pays to keep a close eye on any project at this stage. An ISR uranium project needs to be monitored over a period of 3-6 months as it ramps up.

There latest update from Peninsula indicates that everything is going well. Flow rates have been slightly above expectations, confirming forecast permeability of the reservoir rocks. Head grades have been in-line with expectations and in some wells they have exceeded uranium concentrations in excess of life of mine forecasts. Capture of uranium onto resin has been exceeding expectations. The deep disposal wells have performed at a “phenomenal rate”. So far so good.

Sentiment Indicator: As you will have been aware, the sentiment has swung heavily further back into the negative. The only sector which is bucking the trend and offering some light is the gold sector. There were 23% (18%) of the stocks in uptrend and 63% (53%) 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 to resistance line	
Metals and Mining	XMM	off its lows	
Energy	XEJ	bouncing	
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
Aguia Resources	AGR	downtrend	phosphate
Alttech Chemicals	ATC	breached downtrend	industrial minerals
Anova Metals	AWV	uptrend, but heavy pullback	gold
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	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

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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	ST uptrend, but testing it now	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	down, share issues	carbon nanotubes
Endeavour Mining	EVR	pullback	gold
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
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	pushed higher	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		diamonds
Macphersons Res.	MRP	down	silver
Medusa Mining	MML	down	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	down	gold expl.
OM Holdings	OMH	New low	manganese

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Orecorp	ORR		pullback	gold development
Orinoco Gold	OGX		softer during rights issue	gold development
Orocobre	ORE		steep short term uptrend	lithium
Oz Minerals	OZL		ST down	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		uptrend	gold
Pilbara Minerals	PLS		ST downtrend, being tested	lithium/tantalum
Platina Resources	PGM		new low	PGMs, gold
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		ST 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	23%	32	Uptrend	
	63%	90	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.
- 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	23.2%	
Copper	19	13.4%	
Oil/Gas	10	7.0%	
Gold Exploration	8	5.6%	
Uranium	8	5.6%	
Graphite	7	4.9%	
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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