

25 March 2017

On Friday's Close

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The next move after a weak March could be a useful rally

Markets wallowing around during the week

The enthusiasm for mining stocks seem to have fizzled out over the last few weeks, evidenced by the Sentiment Oscillator showing a decline back to neutral levels. There hasn't been any damaging fundamental reason for the fall, other than suggestions that China will be easing back on steel production, but that should only affect the big stocks like BHP, RIO and Fortescue. The earlier, softer gold price didn't do the gold sector any favours, though bullion has recovered nicely over the last week. Cobalt stocks, the latest hot spot, seem to have taken a breather as profit taking has been the order of the day.

We expected the markets to be stronger in March but our earlier positive notes seem to have been off the mark. While the recent falls have brought back many stocks into their buying ranges we are still waiting to see what will actually prompt another round of buying. Until we get a general signal to go back into the market the best trades are likely to be news flow specific.

It is still difficult to imagine the the weakness will continue all the way until the seasonally slower period in May/June. A rally is more than possible over the next six weeks, even though it might not be convincing.

The big picture looks good around the world

A quick perusal of economic statistics shows us that the world economy is recovering quite well. In there UK the unemployment rate has dropped to 4.7%, a level not seen since the mid 1970s. Japanese capital expenditure in the December quarter grew at its fastest rate in three years. Taiwan has seen exports in February 28% higher than a year ago, while South Korea's were up 20% on the same comparison. A proxy measure based on shipments of capital goods constructed by economists at JPMorgan Chase suggests that worldwide equipment spending grew at an annualised rate of 5.25% in the last quarter of 2016. After a strong fourth quarter, the Bank of Japan revised up its forecast for growth in the current fiscal year from 1% to 1.4%.

The European Commission's economic-sentiment index, based on surveys of service industries, manufacturers, builders and consumers, is as high as it has been since 2011.

Get ready for the end of the property boom

Have you noticed how much debate there is over so many issues that we confront? It is usually a face-off between those who can see an issue clearly in one corner, and those with vested interests in the other. As an example, the global warming debate is one that has been ongoing for a long time largely due to the inability to achieve consensus amongst scientists and the complications of obtaining meaningful measurements. But something that should be less controversial is the state of the property market in Australia. Do we have a bubble or don't we?

We do have an extraordinarily strong market that cannot go on forever. The bigger the cycle upturn the harder the fall on the other end. The collapse of the mining and resources boom was proof of that. After every party there is a hangover.

We are seeing many initiatives being proposed, and some undertaken, that are designed to take the heat out of the market. Yet there will still be pain in due course especially for the inexperienced property investors who have been dragged into euphoria of booming property prices.

In the meantime we see arguments for and against a bubble and an impending collapse. Perhaps we should be focusing on sensible measures rather than trying to do a King Canute. You don't have to wait for direction from the government or the regulators in order to think ahead. Start getting your finances in order now so you can weather the storm.

Uranium optimists need to be realistic

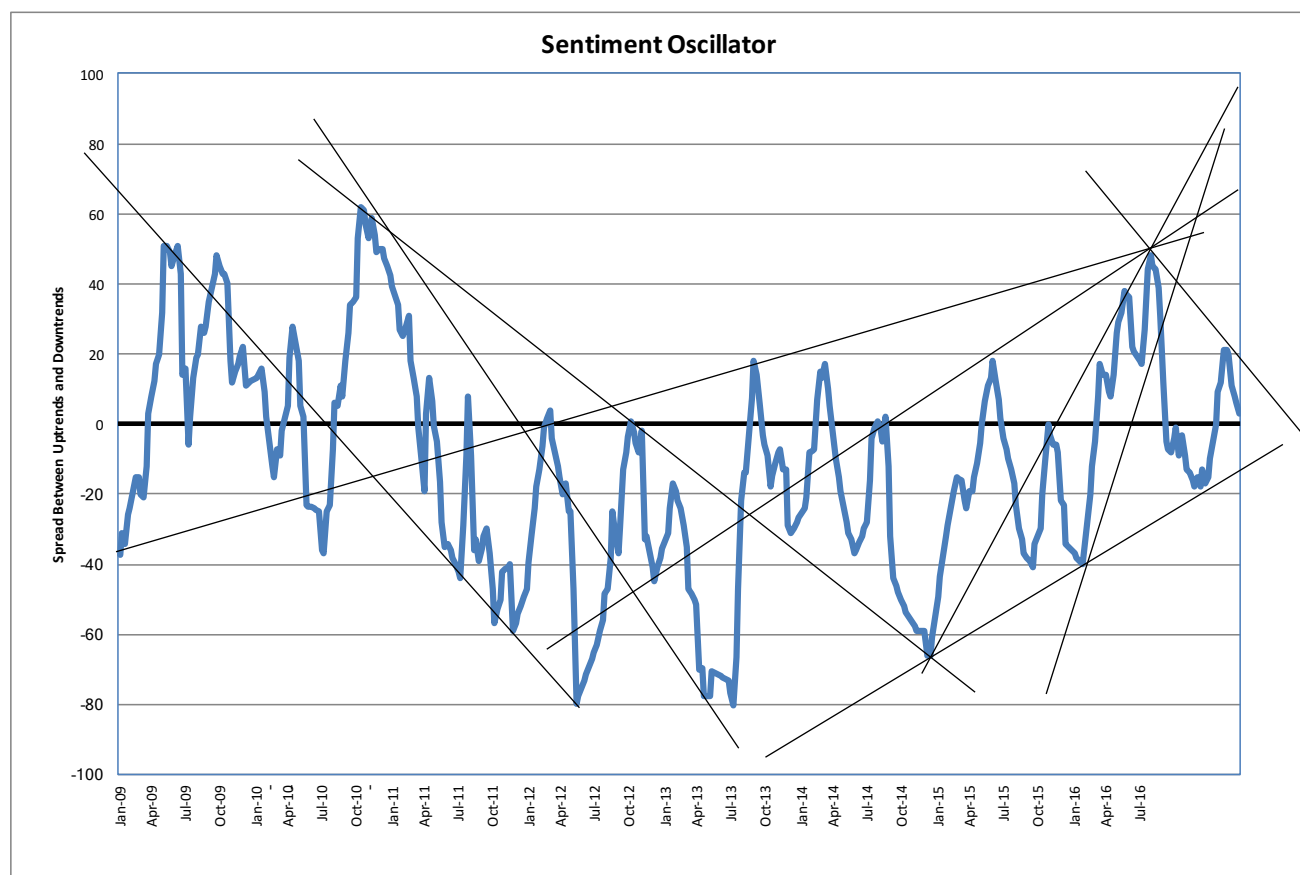
Over recent weeks I have met up with a number of brokers who believe that uranium is set for a bounce. I try to caution them, suggesting that the near term outlook is not very promising. The recent bounce from US\$18/lb to US\$24-26/lb is about as much as they can look forward to. At best we are likely to see a scenario whereby the range trading range is between US\$24 and US\$28/lb. Let's look at the fundamentals.

Uranium demand in 2017 is forecast to be 190 Mlbs, which is much higher than production estimates of 163 Mlbs, but add the 45 Mlb from secondary sources and you will see a surplus in the order of 18 Mlbs, which is similar to the 2016 figures. World production has increased by 17% over the last five years, leading to the spot price falling by 68% over the same period.

The uranium supply and demand curves are much slower to react than for any other commodity due to long lead times and high capital costs of nuclear power plants. There is plenty of time for uranium mines to be brought on-stream if demand estimates start to improve. Since Fukushima we have seen 11 new mines come on stream but five of these have either been shut, or are currently closing. While Chinese demand is increasing they have secured long term supplies with their own mines around the world. Much depends upon whether Japan starts up its reactors but we have to be realistic here. The odds are against it.

While I was once a uranium bull due to the environmental benefits of nuclear power, Fukushima changed all of that. Knowing that there is a risk of uranium share prices falling 75% on a nuclear accident, anywhere in the world, increases the risk factor in owning shares in a uranium producer. But is it worse than that. Since Fukushima we have seen a massive shift towards alternative power sources due to government subsidies. Notwithstanding the reliability issues with wind and solar power, society is

showing a preference for these sources over nuclear. It may well be that nuclear power is losing its place in history.



Sentiment Indicator: Sentiment has continued to soften throughout March, confirming the direction suggested by the Oscillator on the Weekly of the 4th March. There were 29% (36%) of the charts in uptrend and 26% (25%) 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	pushing higher	
Metals and Mining	XMM	bounced off support	
Energy	XEJ	easing within an uptrend	
Stocks	Code	Trend Comment (updated comments in bold)	Main Interest
ABM Resources	ABU	breaching uptrend	gold
Aeon Metals	AML	jumping to new high	copper + cobalt
Alacer Gold	AQG	breached uptrend	gold – production
Alkane Resources	ALK	fallen to new low	gold, zirconia
Acacia Resources	AJC	Sideways at the bottom	coal
Agua Resources	AGR	ticking higher	phosphate
Alicanto Minerals	AQI	sideways at lows	gold exploration





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Alltech Chemicals	ATC	testing short term uptrend	industrial minerals
Anova Metals	AWV	testing uptrend	gold
Antipa Minerals	AZY	testing downtrend	gold
Apollo Consolidated	AOP	sideways at lows	gold exploration
Archer Exploration	AXE	holding uptrend	magnesite, graphite
Argent Minerals	ARD	pullback	polymetallic
Aspire Mining	AKM	continuing to fall	coal
Atrum Coal	ATU	lower	coal
Aurelia Metals	AMI	strongly higher	gold + base metals
Auroch Minerals	AOU	improving	exploration
Aus Tin	ANW	breached downtrend	tin, cobalt
Australian Bauxite	ABX	beached downtrend at lows	bauxite
Australian Potash	APC	continuing higher	potash
Australian Mines	AUZ	new uptrend	cobalt/nickel
Australian Vanadium	AVL	rising gently	vanadium
Avanco Resources	AVB	rising	copper
AWE	AWE	down again	oil and gas
Azure Minerals	AZS	crunch down on Kennecott withdrawal	silver
BHP	BHP	back into short term downtrend	diversified
Base Resources	BSE	breached steepest uptrend, LT uptrend now	mineral sands
Bathurst Resources	BRL	testing downtrend	coal
Battery Minerals	BAT	testing short term downtrend	graphite
Beach Energy	BPT	breached uptrend	oil and gas
Beadell Resources	BDR	breached ST uptrend	gold
Berkeley Resources	BKY	heavy fall	uranium
Berkut Minerals	BMT	sideways through steep uptrend	cobalt
Blackham Resources	BLK	breached ST uptrend	gold
Bligh Resources	BGH	gentle uptrend	gold
Broken Hill Prospect.	BPL	hit resistance line	minerals sands, cobalt
Buru Energy	BRU	sideways at lows	oil
Canyon Resources	CAY	new low	bauxite
Cardinal Resources	CDV	rising again	gold exploration
Carnegie Clean Energy	CCE	new high	wave energy
Cassini Resources	CZI	new high	nickel/Cu expl.
Chalice Gold	CHN	holding uptrend	gold
Cobalt Blue	COB	uptrend commenced	cobalt
Corizon Mining	CZN	collapsed out of uptrend	cobalt
Crusader Resources	CAS	sideways through downtrend	gold/iron ore
Dacian Gold	DCN	secondary downtrend	gold exploration
Danakali	DNK	strongly higher	potash
Doray Minerals	DRM	continuing to fall	gold
Duketon Mining	DKM	testing downtrend	nickel
Eden Innovations	EDE	new high	carbon nanotubes in concrete
Energia Minerals	EMX	heavy pullback	zinc
Equator Resources	EQU	testing uptrend	cobalt/nickel
Evolution Mining	EVN	turning down at resistance line	gold
Excelsior Gold	EXG	forming a base	gold
Finders Resources	FND	breached downtrend	copper
First Australian	FAR	testing downtrend	oil/gas
First Graphite	FGR	breached uptrend	graphite

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Fortescue Metals	FMG	testing uptrend	iron ore
Galaxy Resources	GXY	breached support line	lithium
Galilee Energy	GLL	rising	oil and gas, CBM
Gascoyne Resources	GCY	correcting lower	gold
Geopacific Res. Resources	GPR	in long term downtrend still	copper/gold exp.
Global Geoscience	GSC	rolling over at highs	lithium
Gold Road	GOR	downtrend	gold exploration
Graphex Mining	GPX	rising again	graphite
Heron Resources	HRR	drifting lower	zinc
Highfield Resources	HFR	breached uptrend	potash
Highlands Pacific	HIG	edging higher	copper, nickel
Hillgrove Resources	HGO	rising again	copper
Hot Chilli	HCH	testing downtrend	copper
Iluka Resources	ILU	breached steep uptrend	mineral sands
Image Resources	IMA	strong breach of downtrend	mineral sands
Independence	IGO	ST down	gold, nickel
Intrepid Mines	IAU	sideways	copper
Karoo Gas	KAR	breached downtrend	gas
Kibaran Resources	KNL	breached support line	graphite
Kin Mining	KIN	breached downtrend	gold
Legend Mining	LEG	strong surge, then a slump	exploration
Lithium Australia	LIT	downtrend breached	lithium
Lucapa Diamond	LOM	fallen to long term support line	diamonds
Macphersons Res.	MRP	new high	silver
Medusa Mining	MML	free falling	gold
MetalsX	MLX	breached uptrend	tin, nickel
Metro Mining	MMI	testing uptrend	bauxite
Mincor Resources	MCR	at apex of a wedge	nickel
Mineral Deposits	MDL	breached steepest uptrend	mineral sands
Mustang Resources	MUS	correcting lower	diamonds, rubies
MZI Resources	MZI	still in downtrend	mineral sands
Northern Minerals	NTU	turning up	REE
Northern Star Res.	NST	at final resistance line	gold
NTM Gold	NTM	breached uptrend	gold
Oceana Gold	OGC	holding LT uptrend	gold
Oklo Resources	OKU	steeply higher	gold expl.
OreCorp	ORR	breached downtrend	gold development
Orinoco Gold	OGX	rally from lows	gold development
Orocobre	ORE	seems to have stopped falling	lithium
Oz Minerals	OZL	heavy slump	copper
Paladin Energy	PDN	suspended	uranium
Pacific American Coal	PAK	breached support line	coal, graphene
Pantoro	PNR	new high	gold
Panoramic Res	PAN	heavy correction	nickel
Paringa Resources	PNL	rolling over	coal
Peel Mining	PEX	gentle uptrend	copper
Peninsula Energy	PEN	slump	uranium
Perseus Mining	PRU	testing downtrend	gold
Pilbara Minerals	PLS	breached wedge downside	lithium/tantalum
PNX Metals	PNX	testing long term uptrend	gold, silver, zinc

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Potash West	PWN		falling	potash
Red River Resources	RVR		still in uptrend	zinc
Regis Resources	RRL		breaching ST uptrend	gold
Resolute Mining	RSG		turned down at final resistance line	gold
Reward Minerals	RWD		testing downtrend	potash
RIO	RIO		slump	diversified
RTG Mining	RTG		down again	copper/gold
Rum Jungle	RUM		sideways	quartz
Salt Lake Potash	SO4		steeply higher	potash
Saracen Minerals	SAR		still under downtrend	gold
St Barbara	SBM		still under resistance line	gold
Sandfire Resources	SFR		testing uptrend	copper
Santana Minerals	SMI		testing downtrend	silver
Santos	STO		falling towards long term support line	oil/gas
Sheffield Resources	SFX		heavy fall	mineral sands
Silver Lake Resources	SLR		heavy fall	gold
Silver Mines	SVL		testing downtrend	silver
Sino Gas & Energy	SEH		sideways	gas
Southern Gold	SAU		pullback	gold
Stanmore Coal	SMR		breaching long term support	coal
Sundance Energy	SEA		breached uptrend	oil/gas
Syrah Resources	SYR		falling heavily	graphite
Talga Resources	TLG		testing uptrend	graphene
Tanami Gold	TAM		short term down	gold
Tempo Australia	TPP		breached downtrend	mining services
Teranga Gold	TGZ		secondary downtrend	gold
Tiger Realm	TIG		suspended	coal
Tiger Resources	TGS		suspended	copper
TNG Resources	TNG		spiked higher	titanium, vanadium
Torian Resources	TNR		downtrend	gold expl'n
Toro Energy	TOE		but softening	uranium
Troy Resources	TRY		breaching steep downtrend	gold
Tyranna Resources	TYX		downtrend	gold exploration
Vimy Resources	VMY		sideways	uranium
West African Resources	WAF		secondary downtrend in play	gold
Westwits	WWI		testing downtrend	gold exploration/development
Western Areas	WSA		back to lows	nickel
White Rock	WRM		hitting resistance	silver
Whitehaven Coal	WHC		shallow downtrend	coal
WPG Resources	WPG		still down	gold
Wolf Minerals	WLF		sideways at the lows	tungsten
Totals	29%	43	Uptrend	
	26%	38	Downtrend	
		147	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	22.4%	
Copper	13	8.8%	
Gold Exploration	13	8.8%	
Coal	10	6.8%	
Oil/Gas	9	6.1%	
Potash/Phosphate	7	4.8%	
Mineral Sands	7	4.8%	
Graphite	6	4.1%	
Silver	6	4.1%	
Zinc	5	3.4%	
Lithium	5	3.4%	
Nickel	5	3.4%	
Uranium	5	3.4%	
Cobalt	4	2.7%	
Tin	2	1.4%	
Bauxite	3	2.0%	
Diamonds	2	1.4%	
Iron Ore	1	0.7%	
Other	11		
Total	147		

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