

## What will move markets in 2019?

### *Overview of where markets sit today*

Last Monday one reader scoffed at my comments when I said the mining market was moving up on an improvement in sentiment. His derision was based on an earlier Weekly in which he claims I said the market was going down. His confusion goes a long way in explaining why markets move in ways that surprise people. People believe what they want to believe and in so doing they miss the signals. They hear what they want to hear and too often they are trying to convince others that they know best. There are many voices and many signals in the market. No-one has a monopoly on getting it right. The shifting sand around our feet is the only certainty.

### *Sentiment has improved*

There has definitely been an improvement in sentiment in the Australian resources market. On the fundamental front this has been aided by the firmness in the gold price and the recovery of the oil price. On the psychological front we have seen the exhaustion of the relentless selling that dogged 2018. That alone is enough to turn the market around as investors who are overweight in cash seek to deploy it in a manner that will make them money. It doesn't deliver a bull market, but it does signal that investors are looking for opportunities again rather than running for cover.

There is the opportunity for many mining situations to improve in price by 20-40% in the short term (1-3 months) before hitting more gentle, longer term downtrends. These may cause problems later, but we need to assess their relevance when they come into play.

### *What to expect in 2019*

Getting back to my comments of a couple of weeks ago when I said the the US markets were in an extended topping pattern, I also said that this could be good for non-US markets. Everything is humming along nicely in the USA with unemployment levels very low and the economy benefiting from tax cuts, but it is exactly in these circumstances that we should be searching beyond to see what is next. That will tell us where the market is going on a balance of probabilities.

Anyone who thinks that the great American bull market will power on to new highs is in fantasy land. We are seeing a rear guard action by those investors who are in denial. When the broader market wakes up to the fundamentals the US dollar will have been shown to have peaked as interest rate policy moves from hawkish to dovish. Downtrodden emerging and commodity based markets, and associated currencies will show better value and money will flow into these areas, away from the US scene. Whether this becomes apparent next month, next quarter or later this year is the \$64 question. It is not a matter of if, but when, and the investors that get this fine tuning right will make the most money.

Looking at the fundamentals of the rest of the industrialised countries, we are seeing the German and French economies struggling. There is nothing in Europe that seems to be stimulating investments. The UK is very unpredictable due to Brexit, and there are serious doubts about the credibility of Chinese government data on economic growth. Can any of you see reasons to be bullish on economic growth?

The IMF is warning of the risks of a sharp economic downturn, saying amongst other things that Chinese growth is the slowest it has been for 30 years. Even President Xi is promoting caution, saying publicly that China must be careful about Black Swans and Grey Rhinos. In this context the events that will move markets most dramatically in 2019 will be the continuing trade war and geopolitical developments that are often unpredictable. Thus the gold price will receive frequent stimuli, as will our gold sector.

Nevertheless, our market can still go higher, as it seems to want to do. The negatives are already factored in to share prices and this probably includes the next Federal election. In the near term our markets are looking for good news and will respond accordingly. Investors are looking into the tunnel and while respond to any light they that might see. But, as is always they case, the situation can change significantly from one month to the next.

### *You need regulatory approvals to sell graphene*

There is one important step that has been overlooked by almost everyone in the graphene business, particularly in Australia. That is the need for regional, regulatory approval before a new substance such as graphene can be sold. While some may consider this additional red tape, responsible material suppliers such as First Graphene acknowledge this as an important step in the safe commercialisation of new substances.

First Graphene is aware of the need for NICNAS registration in Australia, and its application for registration has been lodged. This is the reason why the prospective sale of PureGRAPH to newGen has been reported as a purchase order as opposed to a sale.

But what about other graphene companies in Australia selling, or purporting to sell graphene products? If they think they can get away with this by selling it under graphite specification they are mistaken - unless of course they are selling micro-graphite and just calling it graphene (it has been known to happen).

During the week FGR announced that it has joined the Graphene REACH Registration Consortium in Europe, enabling it to sell up to 10 tpa of graphene products in the European Union. This is an important procedural step that will assist in similar registration processes elsewhere, such as NICNAS in Australia. European sales greater than 10 tpa will require additional filings, and these are currently in progress. It is all part of the normal commercialisation of a

new substance, and graphene is no exception - as opposed to promotional hype. It is about credibility in the industry.

So, any company intending to sell tonnage quantities of graphene must go through the regional registration process; those not involved in registration are presumably not supplying graphene or do not intend to sell quantities above 1 tonne/year.

*Disclosure: Interests associated with the author own shares in First Graphene. The author is the non-executive chairman of First Graphene and has received capital raising fees.*

### Quarterlies Reports - why bother?

Once upon a time we all looked forward to getting the news in regular quarterly reports of junior mining companies but that is no longer the case. Now, because of continuous disclosure, there should be nothing in a quarterly report that didn't appear in a previous ASX announcement. In fact, the ASX is taking the time to instruct companies not to have anything new. So, why do we need them? Why doesn't the ASX change the rules so that companies just have to make 5B releases that inform shareholders of financial matters. It would save a lot of time and stop my email from clogging up with superfluous reports every three months.

Sure, some companies like to take the opportunity to re-state and market their achievements, but you don't need an ASX rule to do this. It is time to make these reporting rules more efficient and more relevant. It is a perfect chance to reduce some red tape.

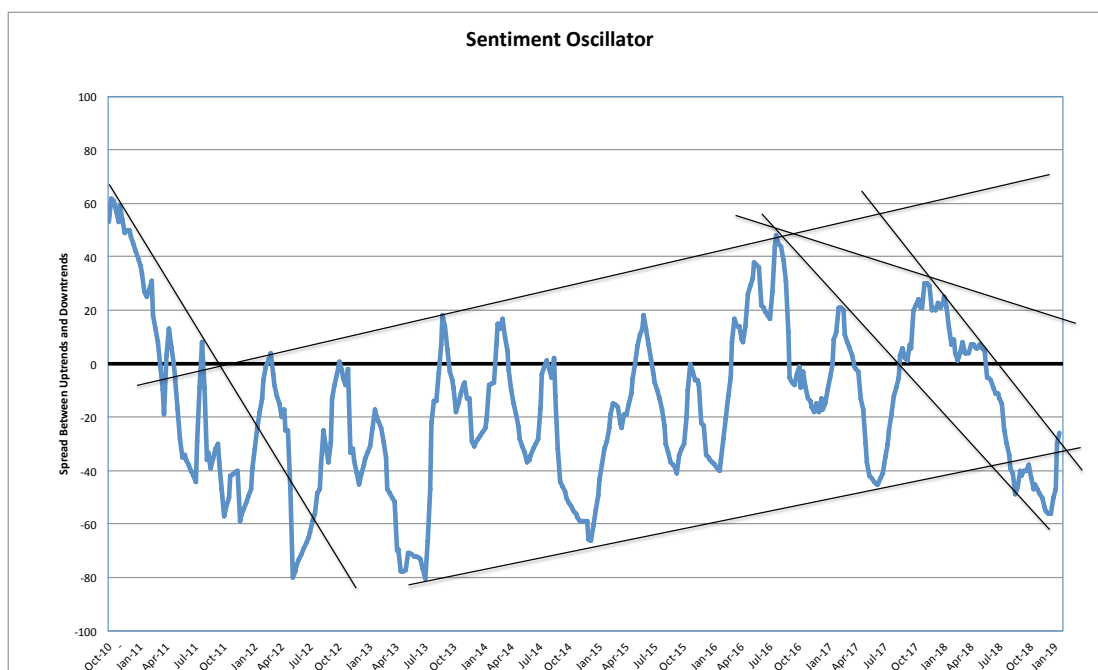
### Porkies in pursuit of vanadium

Pursuit Minerals (PUR) has jumped from 3¢ to hit a high of 6.9¢ over the past few weeks, with there being two days where turnover exceeded \$5m. On the 9/1/19, it reported vanadium grades from historical work. On 22/1/19, it reported grades from its recent work.

Vanadium has been one of those battery input minerals that attracted more attention in 2018, adding to its traditional use as a steel harder. PRU thinks it is onto a winner here.

However, as a word of caution - it reported grades as calculated from concentrates taken from drill core as opposed to in-situ grades. These grades look good at 2% V<sub>2</sub>O<sub>5</sub> in places, but you need to go back to the announcement on 20/12/18, to get an in-situ grade. These were in the range of 0.4%-0.7% V<sub>2</sub>O<sub>5</sub>. It is not accurate to call these high grade. Compare this with Bushveld Mineral's grade of 1.41% V<sub>2</sub>O<sub>5</sub> in its Inferred MML Probable Ore Reserve, using a cut-off grade of 0.3% V<sub>2</sub>O<sub>5</sub>.

Further, this is a primarily a magnetite (iron) orebody with a smattering of vanadium (not uncommon). Is it going to be economic to mine the magnetite to recover the vanadium? I don't think so. This is another example of the rhetoric in an ASX release not correlating with the geological results. The share price ran initially but is coming off now. Perhaps the smart money understands.



**Sentiment Oscillator:** Sentiment improved again over the past week, with 20% (18%) of the charts in uptrend and 46% (48%) in downtrend on Friday's close. It looks like it wants to break its own 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. Please note that this list is a cross section of the market. It IS NOT a list of recommendations.*

Indices	Code	Trend Comment	
All Ordinaries	XAO	breached final resistance	
Metals and Mining	XMM	failed to penetrate final resistance	
Energy	XEJ	breached downtrend	
Stocks	Code	Trend Comment (updated comments in bold)	Main Interest
Adriatic Resources	ADT	breached uptrend	zinc
Aeon Metals	AML	downtrend confirmed	copper + cobalt
Alacer Gold	AQG	breached final resistance	gold – production
Alkane Resources	ALK	sideways at lows	gold, zirconia
Acacia Resources	AJC	Sideways at the bottom	coal
Alchemy Resources	ALY	sideways	nickel, cobalt
Alicanto Minerals	AQI	back to lows	gold exploration
Allegiance Coal	AHQ	heavy fall, then strong recovery	coal
Alliance Resources	AGS	resting on support line	gold exploration
Altech Chemicals	ATC	down	industrial minerals - synthetic sapphire
Anova Metals	AWV	new low on poor production report	gold
Apollo Consolidated	AOP	breached support	gold exploration
Archer Exploration	AXE	sideways at lows	magnesite, graphite
Argent Minerals	ARD	breached steepest downtrend	silver
Aurelia Metals	AMI	breached correcting pattern	gold + base metals
AusTin	ANW	holding support line	tin, cobalt
Australian Bauxite	ABX	breached uptrend	bauxite
Australian Potash	APC	breached final resistance	potash
Australian Mines	AUZ	rallying	cobalt/nickel
Australian Vanadium	AVL	rallying	vanadium
Bounty Coal	B2Y	strongly rally after funding	coal
BHP	BHP	corrected back to support line	diversified
Base Resources	BSE	down	mineral sands
Bathurst Resources	BRL	beneath LT downtrend line	coal
Battery Minerals	BAT	sideways at lows	graphite
BBX Minerals	BBX	secondary downtrend	gold
Beach Energy	BPT	breached downtrend	oil and gas
Beadell Resources	BDR	breaching downtrend	gold
Bellevue Gold	BGL	new high	gold
Berkeley Energia	BKY	surged higher- Spanish media	uranium
Blackstone Minerals	BSX	back to lows	gold, cobalt
Breaker Resources	BRB	down	gold
Broken Hill Prospecting	BPL	new low	minerals sands
Buru Energy	BRU	down	oil
Cardinal Resources	CDV	drifting lower	gold exploration
Cassini Resources	CZI	consolidating	nickel/Cu expl.

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Celsius Resources	CLA		rallying	copper/cobalt
Chalice Gold	CHN		rallying	gold
Cobalt Blue	COB		free fall on study results	cobalt
Comet Resources	CRL		sideways at lows	graphite
Dacian Gold	DCN		steeply higher then heavy pullback	gold
Danakali	DNK		breached uptrend	potash
Davenport Resources	DAV		steep rise, pullback and consolidation	potash
Doray Minerals	DRM		sideways - merger	gold
Eden Innovations	EDE		down	carbon nanotubes in concrete
Egan Street Resources	EGA		moving higher within LT downtrend	gold
Emerald Resource	EMR		risen to resistance	gold
Evolution Mining	EVN		higher	gold
Exore Resources	ERX		rising	gold exploration
FAR	FAR		crunched down on dud oil well	oil/gas
First Graphene	FGR		rising again	graphene
Frontier Diamonds	FDX		breached downtrend, then back to lows	diamonds
Fortescue Metals	FMG		rallied out of steepest, but still in LT downtrend	iron ore
Galaxy Resources	GXY		back into downtrend	lithium
Galilee Energy	GLL		testing short term downtrend	oil and gas, CBM
Gascoyne Resources	GCY		rallying from lows	gold
Gold Road	GOR		testing short term downtrend	gold exploration
Golden Rim	GMR		stronger, new uptrend just beginning	gold exploration
Graphex Mining	GPX		new low	graphite
Heron Resources	HRR		sideways	zinc
Highfield Resources	HFR		rallied to meet resistance line	potash
Highlands Pacific	HIG		down	nickel, cobalt
Hillgrove Resources	HGO		sideways	copper
Hipo Resources	HIP		rallied to meet resistance line	battery metals
Iluka Resources	ILU		surged higher	mineral sands
Image Resources	IMA		higher	mineral sands
Independence Group	IGO		still in downtrend, but stronger	gold, nickel
ioneer (was Global Geoscience)	INR		down	lithium
Jervois Mining	JVR		rising	nickel/cobalt
Jindalee Resources	JRL		surge higher, then a pullback	lithium
Karoo Gas	KAR		new low	gas
Kasbah Resources	KAS		downtrend breached on consolidation	tin
Kibaran Resources	KNL		testing downtrend	graphite
Kin Mining	KIN		heavy fall	gold
Legend Mining	LEG		down	nickel exploration
Lepidico	LPD		continuing down	lithium
Lithium Australia	LIT		continuing downtrend	lithium
Lucapa Diamond	LOM		continuing downtrend	diamonds
Lynas Corp.	LYC		new low	rare earths
Macphersons Res.	MRP		sideways	gold/silver

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Mako Gold	MKG		higher in new ST uptrend	gold
Marmota	MEU		sideways	gold exploration
MetalsX	MLX		rounding out at bottom of downtrend	tin, nickel
Metro Mining	MMI		rounding out at bottom of downtrend	bauxite
Mincor Resources	MCR		sideways	gold
Musgrave Minerals	MGV		breached uptrend	gold exploration
Myanmar Minerals	MYL		testing downtrend	zinc
Nelson Resources	NES		still struggling in downtrend	gold exploration
Neometals	NMT		down	lithium
Northern Cobalt	N27		down again	cobalt
Northern Minerals	NTU		new low	REE
Northern Star Res.	NST		testing uptrend	gold
NTM Gold	NTM		sideways	gold
Oceana Gold	OGC		rising again	gold
Oklo Resources	OKU		down	gold expl.
OreCorp	ORR		in secondary downtrend	gold development
Orinoco Gold	OGX		down	gold development
Orocobre	ORE		heavy fall	lithium
Oz Minerals	OZL		sideways	copper
Pacific American Coal	PAK		testing downtrend	coal
Pantoro	PNR		breached downtrend, moving higher	gold
Panoramic Res	PAN		breached downtrend, at secondary resistance point	gold , nickel
Peak Resources	PEK		down	rare earths
Peel Mining	PEX		failed to hold breach of longer term downtrend	copper
Peninsula Energy	PEN		downtrend again	uranium
Perseus Mining	PRU		stopped at resistance line	gold
Pilbara Minerals	PLS		down heavily	lithium/tantalum
PNX Metals	PNX		lower	gold, silver, zinc
Polarex	PXX		still down	polymetallic exploration
Prodigy Gold	PRX		down	gold exploration
Real Energy	RLE		testing uptrend	gas
Red5	RED		rising	gold
Red River Resources	RVR		down	zinc
Regis Resources	RRL		moving higher	gold
Resolute Mining	RSG		rallying	gold
RIO	RIO		breached downtrend	diversified
Salt Lake Potash	SO4		re-entering downtrend	potash
Saracen Minerals	SAR		up	gold
St Barbara	SBM		up	gold
Sandfire Resources	SFR		breached downtrend	copper
Santana Minerals	SMI		breached downtrend	silver
Santos	STO		breached downtrend	oil/gas
Sheffield Resources	SFX		down	mineral sands
St George Mining	SGQ		new, gentle uptrend forming	nickel

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Sipa Resources	SRI		recovered, to sideways pattern	general exploration - Ni,Cu, Co, Au
Stanmore Coal	SMR		new high	coal
Sundance Energy	SEA		stronger following consolidation	oil/gas
Syrah Resources	SYR		breached downtrend	graphite
Talga Resources	TLG		new low	graphite
Tanami Gold	TAM		breached downtrend	gold
Technology Metals	TMT		short term down	vanadium
Tiger Realm	TIG		down	coal
Triton Minerals	TON		breached steepest downtrend	graphite
Troy Resources	TRY		down	gold
Tyranna Resources	TYX		back in downtrend	gold exploration
Vango Mining	VAN		down	gold
Vector Resources	VEC		at resistance	gold
Venturex	VXR			zinc
Vimy Resources	VMY		down	uranium
Volt Resources	VRC		sideways	graphite
West African Resources	WAF		down	gold
Westwits	WWI		down	gold
Western Areas	WSA		testing downtrend	nickel
Whitehaven Coal	WHC		breached ST downtrend, resistance at \$5-\$5.20	coal
Totals	20%	28	Uptrend	
	46%	66	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	38	26.6%
Gold Exploration	14	9.8%
Graphite	9	6.3%

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Nickel	9	6.3%	
Coal	8	5.6%	
Oil/Gas	8	5.6%	
Lithium	8	5.6%	
Copper	6	4.2%	
Mineral Sands	5	3.5%	
Zinc	5	3.5%	
Potash/Phosphate	5	3.5%	
Cobalt	4	2.8%	
Tin	3	2.1%	
Uranium	3	2.1%	
Rare Earths	3	2.1%	
Silver	2	1.4%	
Bauxite	2	1.4%	
Diamonds	2	1.4%	
Vanadium	2	1.4%	
Iron Ore	1	0.7%	
Other	6		
Total	143		

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