

29 February 2020

On Friday's Close

Analyst : Warwick Grigor

Markets spit the dummy as virus fears dominate

The heading says it all. Markets, what markets? All of them. I have truncated the Weekly today, leaving out the usual comments on company situations. There is no point in providing rational fundamental commentary at a time when the markets have fallen to irrationality.

It is fair enough to have the growth premium in stock prices removed for the time being, but it is now going beyond that. People are selling anything they can out of fear and panic. In the smaller end of the mining sector where there is no growth, just speculation, the only thing stopping heavier falls is the lack of volume. It is not where you can raise funds by selling.

Friday's move on the gold price will guarantee a wave of selling in gold stocks on Monday's opening, irrespective of what the rest of the market will do. Gold has let the bulls down last week.

Putting coronavirus in perspective.

Without doubt the dominant theme for the world's politicians, economies and markets today is the coronavirus. You don't move the equity markets down by more 10% without attracting concentrated attention, but what can you do about it? The severity of the reaction is out of proportion to the statistics, as there are much greater killers in the world, but we have learnt to live with those. They are known quantities.

Markets will always be moved most dramatically by the unquantifiable as this gives the greatest latitude for

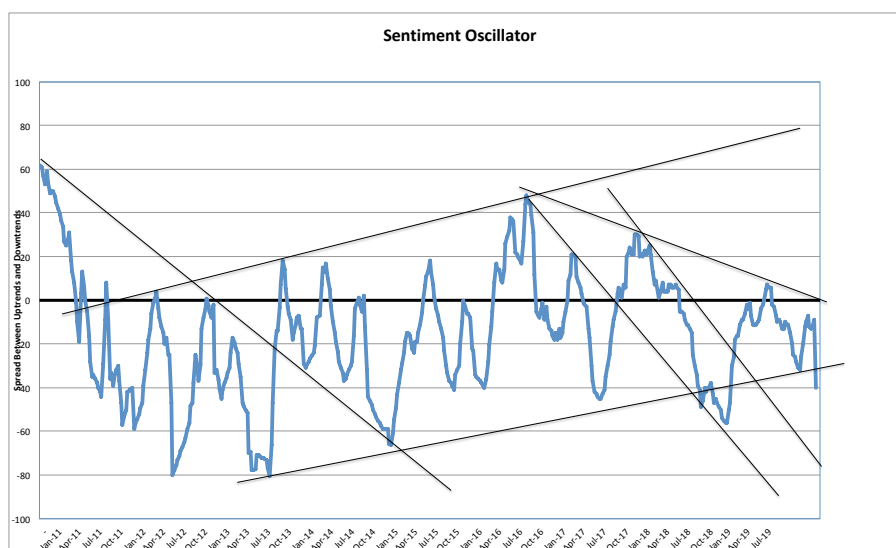
speculation both up and down, and the greater the reaction the more it is amplified. That is what we are seeing today.

In the example of coronavirus it is not the ailment itself that is the source of the pain, it is the reaction of the media, governments and authorities that is creating the economic damage. The shutdowns and travel restrictions are restricting commerce and trade and these will have a real impact on the bottom line of many businesses, irrespective of how few people are catching the ailment.

We don't know how long this will go on for, and this plays into the hands of the bears in the market. How long will governments hold the line in defiance of what is happening to the overwhelming majority of the people? How much economic pain must be suffered before there is a balance? If the fear of the virus goes away after a month or two then we could see a rapid turnaround in markets as everyone plays catchup. There could be an economic boom. We are dealing with extreme psychology at the moment.

So far I haven't heard anyone blame this on climate change. Maybe if everything shuts down we will have a better chance of reducing carbon emissions and we will get a taste of what a low carbon world would really look like. Hmm, interesting.

Anyway, there is some good news. At some point soon you will see a fantastic buying opportunity, when the markets put all of this in perspective.







































Sentiment Oscillator: Sentiment collapsed last week 19% (31%) of the charts in uptrend and 59% (40%) in downtrend on Friday's close. The improvement came about due to a number of stocks moving out of downtrends and into sideways patterns, as the selling had exhausted itself.


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		collapse	
Metals and Mining	XMM		collapse	
Energy	XEJ		collapse	
Stocks	Code		Trend Comment (updated comments in bold)	Main Interest
Alpha HPA	A4N		heavy pullback	HPA
Adriatic Resources	ADT		heavy pullback	zinc
Aeon Metals	AML		falling again	copper + cobalt
Alacer Gold	AQG		testing uptrend	gold – production
Alkane Resources	ALK		heavy pullback	gold, zirconia
Acacia Resources	AJC		Sideways at the bottom	coal
Alicanto Minerals	AQI		testing steep uptrend	gold exploration
Allegiance Coal	AHQ		breached support line	coal
Alliance Resources	AGS		breached uptrend	gold exploration
Apollo Consolidated	AOP		down	gold exploration
Arafura Resources	ARU		down	rare earths
Argent Minerals	ARD		breached downtrend	silver
Aurelia Metals	AMI		testing downtrend	gold + base metals
Australian Potash	APC		down	potash
Australian Mines	AUZ		base forming	cobalt/nickel
Australian Vanadium	AVL		new low	vanadium
BHP	BHP		heading lower	diversified, iron ore
Base Resources	BSE		down	mineral sands
Bathurst Resources	BRL		down	coal
BBX Minerals	BBX		breached downtrend	gold exploration
Beach Energy	BPT		heavy fall	oil and gas
Beacon Mining	BCN		testing uptrend	gold production
Bellevue Gold	BGL		breached downtrend	gold exploration
Blackstone Minerals	BSX		heavy fall	nickel
Breaker Resources	BRB		down	gold exploration
Broken Hill Prospecting	BPL		at lows	minerals sands
Buru Energy	BRU		turning down	oil
Buxton Resources	BUX		turned down at resistance line	nickel exploration
Capricorn Metals	CMM		slump	gold
Cardinal Resources	CDV		testing ST uptrend	gold exploration
Cassini Resources	CZI		testing downtrend	nickel/Cu expl.
Central Petroleum	CTP		down	oil/gas
Chalice Gold	CHN		slump	gold exploration
Chase Mining	CML		heavy slump	nickel/copper/PGE
Chesser Resources	CHZ		slump	gold exploration

Cobalt Blue	COB		new low	cobalt
Dacian Gold	DCN		testing uptrend	gold
Danakali	DNK		drifting lower	potash
Davenport Resources	DAV		at lows	potash
Ecograp (was Kibaran)	EGR		rallying	graphite
Emerald Resource	EMR		slump	gold
Evolution Mining	EVN		slump	gold
Exore Resources	ERX		down	gold exploration
FAR	FAR		new low	oil/gas
First Graphene	FGR		slump	graphene
Fortescue Metals	FMG		down	iron ore
Galaxy Resources	GXY		down	lithium
Galena Mining	G1A		breached steepest downtrend	lead
Galilee Energy	GLL		downtrend forming	oil and gas, CBM
Gold Road	GOR		steeply higher	gold
Graphex Mining	GPX		down	graphite
Heron Resources	HRR		new low	zinc
Highfield Resources	HFR		back to support line	potash
Hillgrove Resources	HGO		still in downtrend	copper
Iluka Resources	ILU		slump out of downtrend then rebound	mineral sands
Image Resources	IMA		still in downtrend	mineral sands
Independence Group	IGO		back to support line	gold, nickel
ioneer (was Global Geoscience)	INR		testing support	lithium
Jervois Mining	JVR		testing resistance line	nickel/cobalt
Jindalee Resources	JRL		down	lithium
Karoo Gas	KAR		down	gas
Kasbah Resources	KAS		new low	tin
Kin Mining	KIN		steeply higher	gold
Kingston Resources	KSN		back to support line	gold
Kingwest Resources	KWR		down	gold
Legend Mining	LEG		stronger	nickel exploration
Lepidico	LPD		down	lithium
Lindian Resources	LIN		heavy slump	bauxite
Lithium Australia	LIT		down	lithium
Lucapa Diamond	LOM		off its lows	diamonds
Lynas Corp.	LYC		down	rare earths
Mako Gold	MKG		rising off lows	gold exploration
Marmota	MEU		new high	gold exploration
MetalsX	MLX		new low	tin, nickel
Metro Mining	MMI		gentle uptrend breached	bauxite
Mincor Resources	MCR		continuing higher	gold
Musgrave Minerals	MGV		new high	gold exploration
Myanmar Minerals	MYL		down	zinc
Nelson Resources	NES		falling again	gold exploration

This commentary is provided at no charge and in good faith from sources believed to be reliable and accurate. Far East Capital Ltd directors and employees do not accept liability for the results of any action taken on the basis of information provided or for any errors or omissions contained therein. Readers should seek investment advice from their professional advisors before acting on information contained therein. Please see **Disclosure of Conflicts of Interest** at the end of this commentary.

Neometals	NMT		continuing down	lithium
Resolute Minerals	RML		heavy fall (was Northern Cobalt)	cobalt
Northern Minerals	NTU		down	REE
Northern Star Res.	NST		strong higher	gold
NTM Gold	NTM		new high	gold exploration
Oceana Gold	OGC		down	gold
Oklo Resources	OKU		stronger	gold expl.
OreCorp	ORR		softer	gold development
Oro Verde	OVL		breached uptrend	rare earths
Orocobre	ORE		heavy fall	lithium
Oz Minerals	OZL		down	copper
Pacific American Holdings	PAK		new low	coal
Pacifico Minerals	PMY		down	silver/lead
Pantoro	PNR		down	gold
Panoramic Res	PAN		down	gold , nickel
Peak Resources	PEK		down	rare earths
Peel Mining	PEX		down	copper
Peninsula Energy	PEN		sideways	uranium
Pure Minerals	PM1		sideways	nickel/cobalt/HPA
Pensana Metals	PM8		testing downtrend	rare earths
Perseus Mining	PRU		new high	gold
Pilbara Minerals	PLS		but strong rally	lithium
PNX Metals	PNX		sideways	gold, silver, zinc
Polarex	PXX		breached uptrend	polymetallic exploration
Prodigy Gold	PRX		down	gold exploration
Ramelius Resources	RMS		breached ST downtrend	gold production
Real Energy	RLE		new low	gas
Red5	RED		breached downtrend	gold
Red River Resources	RVR		now in secondary downtrend	zinc
Regis Resources	RRL		down	gold
Resolute Minerals	RML		heavy fall (was Northern Cobalt)	cobalt
Resolute Mining	RSG		testing downtrend	gold
RIO	RIO		down	diversified, iron ore
Salt Lake Potash	SO4		down	potash
Saracen Minerals	SAR		rising again	gold
St Barbara	SBM		still in shallow downtrend	gold
Sandfire Resources	SFR		down	copper
Santos	STO		breached uptrend	oil/gas
Saturn Metals	STN		rising again	gold exploration
Sheffield Resources	SFX		new low	mineral sands
Sky Metals	SKY		surged higher	gold exploration
St George Mining	SGQ		down	nickel
Sipa Resources	SRI		down	general exploration - Ni,Cu, Co, Au
Spectrum Metals	SPX		back in uptrend	gold exploration

This commentary is provided at no charge and in good faith from sources believed to be reliable and accurate. Far East Capital Ltd directors and employees do not accept liability for the results of any action taken on the basis of information provided or for any errors or omissions contained therein. Readers should seek investment advice from their professional advisors before acting on information contained therein. Please see **Disclosure of Conflicts of Interest** at the end of this commentary.

Stanmore Coal	SMR		down again	coal
Strandline Resources	STA		sideways	mineral sands
Syrah Resources	SYR		down again	graphite
Talga Resources	TLG		down	graphite
Technology Metals	TMT		down	vanadium
Vango Mining	VAN		breached uptrend	gold
Venturex	VXR		strong rally, hit resistance line	zinc
Vimy Resources	VMY		new low	uranium
West African Resources	WAF		uptrend again	gold
Westgold Resources	WGX		breached uptrend	gold
West Wits Mining	WWI		testing uptrend	gold
Western Areas	WSA		breached support line	nickel
Whitebark Energy	WBE		testing support	oil and gas
Whitehaven Coal	WHC		down	coal
Yandal Resources	YRL		down	gold exploration
Zinc Mines of Ireland	ZMI		down	zinc
Totals	19%	26	Uptrend	
	59%	81	Downtrend	
		138	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	30	21.7%	
Gold Exploration	21	15.2%	
Oil/Gas	9	6.5%	

Nickel	9	6.5%	
Lithium	8	5.8%	
Coal	6	4.3%	
Zinc/Lead	10	7.2%	
Mineral Sands	6	4.3%	
Rare Earths	6	4.3%	
Potash/Phosphate	5	3.6%	
Copper	5	3.6%	
Cobalt	3	2.2%	
Graphite	4	2.9%	
Tin	2	1.4%	
Iron Ore	3	2.2%	
Uranium	1	0.7%	
Bauxite	3	2.2%	
Vanadium	2	1.4%	
Silver	2	1.4%	
Diamonds	1	0.7%	
Other	2		
Total	138		

FEC Disclosure of Interests: It is a requirement of ASIC that holders of AFS licences prominently disclose any conflicts of interest. At all times readers should be aware that Far East Capital Ltd is an active investor. It shares its research and opinions free of charge to other investors and it aims to do so on an ethical basis. Accordingly, when it is writing about stocks in which it holds interests, these will be disclosed. In this week's publication FEC discloses that interests associated with the the author hold shares in First Graphene. and Lucapa Diamond Company. The author is chairman of First Graphene and one of the largest shareholders, through a number of entities. Over the last three years FEC has received fees from Alicanto Minerals, Blackstone Minerals, Broken Hill Prospecting, Cobalt Blue, First Graphene, Golden Rim, Lindian Resources, Lucapa Diamond Company, Orinoco Gold, Pacific American and West Wits for corporate and capital raising services. Its primary business is investing and managing its own money, but it does occasionally raise money for resource companies.

Disclaimer: This Research Report has been prepared exclusively for Far East Capital clients and is not to be relied upon by anyone else. In compiling this Commentary, we are of necessity unable to take account of the particular investment objectives, financial situation and needs of any of our individual clients. Accordingly, each client should evaluate the recommendations obtained in this Commentary in the light of their own particular investment objectives, financial situation and needs. If you wish to obtain further advice regarding any recommendation made in this Commentary to take account of your particular investment objectives, financial situation and needs, you should contact us. We believe that the advice and information herein are accurate and reliable, but no warranty of accuracy, reliability or completeness is given and (except insofar as liability under any statute cannot be excluded) no responsibility arising in any other way for errors or omissions or in negligence is accepted by Far East Capital Limited or any employee or agent. For private circulation only. This document is not intended to be an offer, or a solicitation of an offer, to buy or sell any relevant securities (i.e. securities mentioned herein or of the same issuer and options, warrant, or rights with respect to or interests in any such securities). We do not guarantee the accuracy or completeness of the information herein, or upon which opinions herein have been based. At any time we or any of our connected or affiliated companies (or our or their employees) may have a position, subject to change, and we or any such companies may make a market or act as principal in transactions, in any relevant securities or provide advisory or other services to an issuer of relevant securities or any company therewith. Unless otherwise stated all views expressed herein (including estimates or forecasts) are solely those of our research department and subject to change without notice. This document may not be reproduced or copies circulated without authority. Copyright © Far East Capital Ltd 2019.