

## Still struggling to find a reason to buy

One would have hoped that the selling might have dried up during my extended period abroad, but alas that has not been the case. The recent heavy falls in the market are reminiscent of the heavy correction we saw at the end of January this year. The markets recovered quite well after that rout, but it is too early to say that this correction is over, or whether it is something more serious.

The three indices that we chart, the All Ords, the Metals and Mining and the Energy Indices, have all rallied strongly, stopping at the resistance line of steep downtrends. A chartist will tell you that the most likely move early next week is another downward plunge, with the rally last week just being that - a recovery within a downtrend. Looking at the Sentiment Oscillator for the first time in six weeks, it is still below support levels. There is no buy signal here.

Internationally, the only major economy that is delivering on the economic front is the USA. Europe is looking sloppy. The Chinese outlook has the markets worried, especially in Australia. The USA-China trade war is having an impact in the real world as well as on the market psychology. As far as we can tell, it is hurting China much more than the USA. The latter is experiencing strong economic growth and the lowest unemployment rate in decades.

China is slowing down. The Purchasing Managers' Index fell to 50.2 in October, from 50.8 in September. That is only fractionally better than 50, below which growth switches to contraction. While we can never take for gospel any numbers that come out of China, a dictatorial state, if the official numbers are worsening what would the real numbers say? While there is fear on this front it is hard to see Australian resource stocks gathering any recovery or momentum upwards. Thus everyone continues to sit on the fence. However, somewhat surprisingly, iron ore in China had a good month in October.

Suddenly, maybe, oil is not the best place to be right now. Oil is on track for its worst month since 2016, with New York futures looking at a 9.4% drop in October. Maybe this is a pullback from recent highs and not necessarily indicative of the next few months, but the market is full of "half empty" traders at present.

With respect to the junior mining sector, the real problem is the lack of buying. No-one wants to play. That means that routine selling in the market place is not being matched by routine buying. The sellers have to hit the bid and this makes people even more depressed. Having said that though, there is a small number of stocks that seem to want to go higher. Bellevue Gold and Breakers Resources are examples, both having made recent gold discoveries.

### *The real numbers on Australia and climate change*

Before you form an opinion whether or not Australia should continue along the path of power shortages and high energy costs by switching to renewable energy, look at the hard facts first.

Australia has approximately 22 coal fired power stations, and it has been attributed with 1.3% of the global greenhouse gas emissions.

China has 1,000 coal fired power stations in operation and it will commission another 130 this year. More will be commissioned in subsequent years. It is the largest emitter with 26.8%. The top 10 emitters account for 73%. Australia, with 1.3%, doesn't make it into the top 10.

Only a village idiot or a recklessly naive avenger would think that shutting down our power stations will make a difference to climate change. We would be foolishly arrogant to think that we can lead world by sacrificing our energy sector. Rather than the greenies and our tech billionaires pressuring the Australian government to condemn the struggling working and middle class taxpayers to unacceptably higher power bills, they should be sending delegations to Beijing to force China to change its policies. Take on a real challenge. Fair dinkum.

Taking it one logical step further, the real problem is overpopulation of the planet Earth. At times there is debate about whether we can feed the exploding number of mouths, but that isn't really the problem. The problem is everything else that an expanding population demands; a vast range of resources needed in a modern society, with energy being at the forefront. The only way that climate change can be solved (assuming that it is not a naturally occurring event in any case, as we are coming out of an ice age) is by cutting the population. But who is going to volunteer their lives in the quest to save the planet? It certainly won't be the Greens.

Have a look at the pie graph on the following pages to see where Australia fits in the rankings. If Australia did nothing to lower emissions, it wouldn't make any difference to the globe. So why punish so many Australian in pursuit of a childish fantasy?

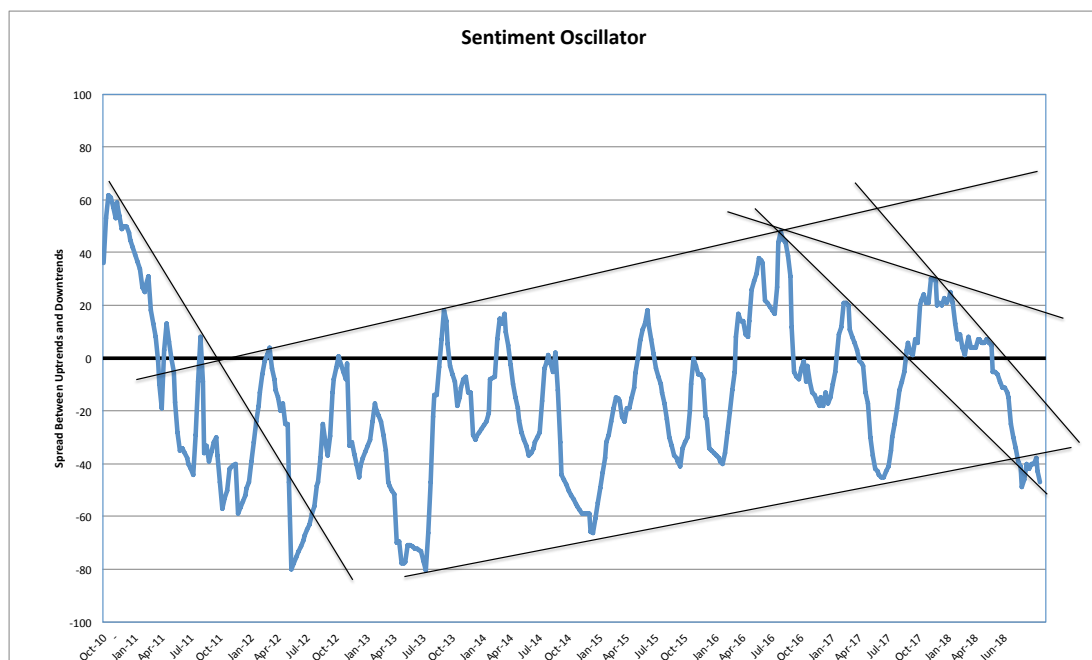
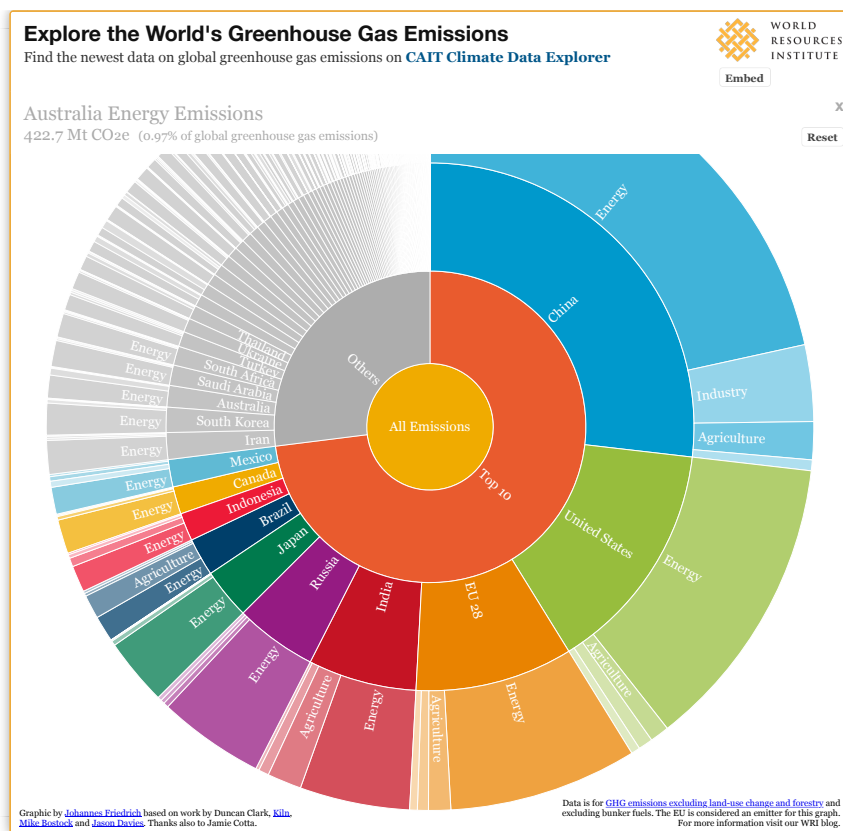
### *Great Comment from SP Angel in the UK*

*"If management are half as good at digging mines as they are at digging financial holes for themselves then they might do well". So true of so many companies.*

### *BHP Buyback*

The buyback announced by BHP was taken well by the market against a background of improving markets during the week. Buybacks tend to create mixed debate from investors with people being both in favour and against. Given that BHP has made a series of disastrous investments over the last 30 years, being hampered by the desire to close big deals rather than grow new businesses organically and prudently, maybe it is acknowledging that a different approach is needed.

Disclosure: Nil



**Sentiment Oscillator:** Sentiment is still poor; 13% (13%) of the charts in uptrend and 60% (60%) in downtrend on Friday's close; the same as it was previously, some weeks back.



We have added St George Mining to our chart coverage.

## 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	rallied back to resistance line	
Metals and Mining	XMM	down, at resistance line	
Energy	XEJ	rallied back to resistance line	
Stocks	Code	Trend Comment (updated comments in bold)	Main Interest
Adriatic Resources	ADT	breached downtrend	zinc
Aeon Metals	AML	downtrend confirmed	copper + cobalt
Alacer Gold	AQG	testing downtrend	gold – production
Alkane Resources	ALK	sideways at lows	gold, zirconia
Acacia Resources	AJC	Sideways at the bottom	coal
Alchemy Resources	ALY	base forming	nickel, cobalt
Alicanto Minerals	AQI	strong rally, then crunched down	gold exploration
Allegiance Coal	AHQ	holding LT uptrend	coal
Alliance Resources	AGS	new uptrend breached	gold exploration
Altech Chemicals	ATC	down	industrial minerals - synthetic sapphire
Anova Metals	AWV	new low on poor production report	gold
Apollo Consolidated	AOP	rallying	gold exploration
Archer Exploration	AXE	breach of support	magnesite, graphite
Argent Minerals	ARD	down	silver
Aurelia Metals	AMI	recovery and a new high	gold + base metals
AusTin	ANW	breached uptrend	tin, cobalt
Australian Bauxite	ABX	sideways	bauxite
Australian Potash	APC	testing downtrend	potash
Australian Mines	AUZ	down	cobalt/nickel
Australian Vanadium	AVL	downtrend confirmed	vanadium
Bounty Coal	B2Y	down	coal
BHP	BHP	slump to support line	diversified
Base Resources	BSE	sideways, but softer last week	mineral sands
Bathurst Resources	BRL	slump	coal
Battery Minerals	BAT	sideways at lows	graphite
BBX Minerals	BBX	breached downtrend	gold
Beach Energy	BPT	breached uptrend	oil and gas
Beadell Resources	BDR	testing downtrend	gold
Bellevue Gold	BGL	return to strong uptrend - placement	gold
Berkeley Energia	BKY	collapse - Spanish media	uranium
Blackstone Minerals	BSX	back to lows	gold, cobalt
Breaker Resources	BRB	rising	gold
Broken Hill Prospect.	BPL	down	minerals sands, cobalt
Buru Energy	BRU	slump	oil
Cardinal Resources	CDV	breaching downtrend	gold exploration
Cassini Resources	CZI	gentle downtrend	nickel/Cu expl.

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Celsius Resources	CLA		falling again	copper/cobalt
Chalice Gold	CHN		sideways	gold
Cobalt Blue	COB		free fall on study results	cobalt
Comet Resources	CRL		new low	graphite
Crusader Resources	CAS		suspended	gold
Dacian Gold	DCN		rallying	gold
Danakali	DNK		breached uptrend	potash
Doray Minerals	DRM		rising	gold
Eden Innovations	EDE		new uptrend	carbon nanotubes in concrete
Egan Street Resources	EGA		new low	gold
Emerald Resource	EMR		broad downtrend	gold
Evolution Mining	EVN		higher	gold
FAR	FAR		sideways break through uptrend	oil/gas
First Graphene	FGR		testing short term correction	graphene
Frontier Diamonds	FDX		new low	diamonds
Fortescue Metals	FMG		rallied out of steepest, but still in LT downtrend	iron ore
Galaxy Resources	GXY		strong rally	lithium
Galilee Energy	GLL		breached uptrend - sideways to lower now	oil and gas, CBM
Gascoyne Resources	GCY		collapse	gold
Global Geoscience	GSC		down	lithium
Gold Road	GOR		breached uptrend	gold exploration
Golden Rim	GMR		new low	gold exploration
Graphex Mining	GPX		new low	graphite
Heron Resources	HRR		sideways	zinc
Highfield Resources	HFR		down again	potash
Highlands Pacific	HIG		down	nickel, cobalt
Hillgrove Resources	HGO		sideways	copper
Hipo Resources	HIP		testing downtrend	battery metals
Iluka Resources	ILU		down heavily	mineral sands
Image Resources	IMA		testing LT uptrend	mineral sands
Independence Group	IGO		back in downtrend	gold, nickel
Jervois Mining	JVR		heavy fall	nickel/cobalt
Jindalee Resources	JRL		downtrend commenced	lithium
Karoo Gas	KAR		new low	gas
Kasbah Resources	KAS		still in downtrend	tin
Kibaran Resources	KNL		breaking higher	graphite
Kin Mining	KIN		heavy fall	gold
Legend Mining	LEG		down	exploration
Lepidico	LPD		continuing down	lithium
Lithium Australia	LIT		continuing downtrend	lithium
Lucapa Diamond	LOM		continuing downtrend	diamonds
Lynas Corp.	LYC		testing downtrend	rare earths
Macphersons Res.	MRP		still down	gold/silver
Mako Gold	MKG		down	gold

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Marmota	MEU	sideways	gold exploration
MetalsX	MLX	down again	tin, nickel
Metro Mining	MMI	down	bauxite
Mincor Resources	MCR	sideways	gold
Myanmar Minerals	MYL	starting down again	zinc
MZI Resources	MZI	downtrend still	mineral sands
Nelson Resources	NES	down	gold exploration
Neometals	NMT	down	lithium
Northern Cobalt	N27	down again	cobalt
Northern Minerals	NTU	new low	REE
Northern Star Res.	NST	still strong	gold
NTM Gold	NTM	testing downtrend	gold
Oceana Gold	OGC	rising again	gold
Oklo Resources	OKU	down	gold expl.
OreCorp	ORR	breached downtrend	gold development
Orinoco Gold	OGX	down	gold development
Orocobre	ORE	strong rally	lithium
Oz Minerals	OZL	testing downtrend	copper
Pacific American Coal	PAK	down	coal
Pantoro	PNR	down	gold
Panoramic Res	PAN	downtrend again	gold , nickel
Peel Mining	PEX	downtrend confirmed	copper
Peninsula Energy	PEN	downtrend again	uranium
Perseus Mining	PRU	improving within a downtrend	gold
Pilbara Minerals	PLS	down	lithium/tantalum
PNX Metals	PNX	lower	gold, silver, zinc
Polarex	PXX	still down	polymetallic
Prodigy Gold	PRX	down	gold exploration
Real Energy	RLE	rallying	gas
Red5	RED	down	gold
Red River Resources	RVR	down	zinc
Regis Resources	RRL	rising	gold
Resolute Mining	RSG	testing downtrend	gold
RIO	RIO	down	diversified
Salt Lake Potash	SO4	re-entering downtrend	potash
Saracen Minerals	SAR	up	gold
St Barbara	SBM	up	gold
Sandfire Resources	SFR	strong rally	copper
Santana Minerals	SMI	new low	silver
Santos	STO	back to highs	oil/gas
Sheffield Resources	SFX	testing uptrend	mineral sands
St George Mining	SGQ	starting uptrend	nickel
Sipa Resources	SRI	sideways	general exploration - Ni,Cu, Co, Au
Stanmore Coal	SMR	new high	coal

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Sundance Energy	SEA		testing downtrend	oil/gas
Syrah Resources	SYR		new low	graphite
Talga Resources	TLG		down	graphite
Tanami Gold	TAM		slump	gold
Technology Metals	TMT		short term down	vanadium
Tiger Realm	TIG		down	coal
Triton Minerals	TON		down	graphite
Troy Resources	TRY		down	gold
Tyranna Resources	TYX		back in downtrend	gold exploration
Vango Mining	VAN		correcting	gold
Vector Resources	VEC		down again	gold
Venturex	VXR		testing downtrend	zinc
Vimy Resources	VMY		down	uranium
Volt Resources	VRC		sideways	graphite
West African Resources	WAF		down	gold
Westwits	WWI		down	gold
Western Areas	WSA		down	nickel
Whitehaven Coal	WHC		testing uptrend	coal
Totals	13%	18	Uptrend	
	60%	85	Downtrend	
		141	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	39	27.7%	
Gold Exploration	13	9.2%	
Graphite	9	6.4%	
Coal	8	5.7%	
Oil/Gas	8	5.7%	

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Lithium	8	5.7%	
Copper	6	4.3%	
Mineral Sands	6	4.3%	
Nickel	7	5.0%	
Cobalt	5	3.5%	
Zinc	5	3.5%	
Potash/Phosphate	4	2.8%	
Silver	3	2.1%	
Tin	3	2.1%	
Uranium	3	2.1%	
Rare Earths	2	1.4%	
Bauxite	2	1.4%	
Diamonds	2	1.4%	
Iron Ore	1	0.7%	
Other	7		
Total	141		

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