

Gold shines while everything else is uncertain

There should be no doubt in your mind; the great US bull market is over. We should not be looking to US markets for any joy in the next month, and perhaps the next year or two. The volatility we are seeing in the Dow, with extreme intra-day movements, is only scaring investors away while we wait for them to acknowledge the writing that is on the wall. It is time for these investors to look elsewhere.

The front end cyclical stocks in the US are down heavily. The automotive sector is down 30% from its high. Banks are down 25%, the building sector is down 35% and retail is down 20% on their respective highs. At the same time economically defensive stocks are up. These movements tell us one thing very clearly; the US is headed for a recession. Whether or not a recession actually happens, and if it does, how bad it will be, is very much dependent upon how the Fed and the US government reacts from here.

Credit is tightening up in the US. The M2 money supply growth has fallen from 7.5% to 4% p.a. over the last few years. The recent interest rate hike may have been one step too far, coming at a time when everything seems to be slowing. Unemployment is still at multi-decade lows, but employment is a lagging indicator. In the past full employment has frequently been a leader to a recession. Maybe it is doing so again.

The silver lining in the weakening US markets

So, does this mean that the Aussie and other markets will go down along with the US markets? Perhaps not. If the Fed wakes up to what is really happening in US industry and decides to back off from raising rates again, or if its publicly stated guidance starts to point to a shaving of rates, then the US dollar will start to fall and US investment funds will move offshore in search of underpriced stocks and assets elsewhere in the world. There will be a reversal to the trends that have dominated money flows over recent years, to the benefit of our market.

Gold is showing its benefit

The A\$ gold price is powering ahead with the falling A\$ and the rising gold price. The slight improvement in the Sentiment Oscillator this week can be attributed to the gold sector receiving greater interest. The strongest stocks have been the established gold producers while many juniors with good gold resource inventories continue to struggle. We should be expecting that many of these will be gobbled up by the producers where there is operational logic and geographical compatibility in the first instance. More exotically located resources will be less attractive the Australian-based producers at this juncture.

When is a placement good news, and when it is not

It is usual for punters to scroll through Appendix 3B statements at the end of each quarter to see if companies have plenty, or not enough cash, to see them through for

another three months. If the cupboard is looking bare and a capital raising is imminent, they will immediately sell down the offending company's shares. After all, no-one really wants to be around when there is a placement happening - especially if you can sell now and get placement stock at a cheaper price.

Share prices don't have to fall when a placement happens, but the aforementioned behaviour is self fulfilling. When a share price starts falling the broker wants a cheaper price "for its clients", with the discount often being 10-20% on a 5 day VWAP. The larger the discount the more likely that the placees flick the shares out quickly, bringing the share price down to the placement price, or even lower.

Because of ASIC's "wisdom", that only sophisticated investors (s708) can take a placement without a disclosure document, many smaller guys never get the benefit of the lower price. Often it goes to aggressive traders and too many times it goes to principals and associates of brokers themselves. Thus, the stock goes into weak hands. Some brokers out there are notorious for this type of behaviour. Investors should take note of who these are and be very cautious about taking placements from them.

The reason why so many companies go into a Trading Halt when they do a placement is that they have to protect the price of a share whilst they build a book for a placement. Too many traders will cheat and sell stock as soon as they get wind that a placement is imminent, so the Trading Halt is designed to limit this type of behaviour.

Last year was very tough. Many companies put off doing placements for as long as they could, hoping for a better market. But that better market never came. It was amazing how many companies were out there raising money in the last six weeks of the year, wanting their balance sheets to look better for the December 31 balance sheets and the Appendix B statements that are due by the end of January. Not only was this a seasonally difficult time of year to raise money, but the swarm of companies going to the market just pushed down overall sentiment even further, across the board.

More on s708 restrictions

The most basic test for s708 qualification is an investible portfolio of \$2.5m, and an accountant's signature on a certificate. Yet, there are tens of thousands of investors that don't have this much money. That means they can't benefit from the discounted prices of placements. If the government thinks these guys are too poor to understand what they are getting into (which is very condescending), that same government seems very happy to keep them poor.

No disclosure document is going to protect stock market investors. These are process driven and designed as job creations schemes for accountants and lawyers. They are absolutely useless when it comes to informing investors.

They are too long to read and too expensive to produce. They slow down the capital raising process in denial of the maxim that "time is money".

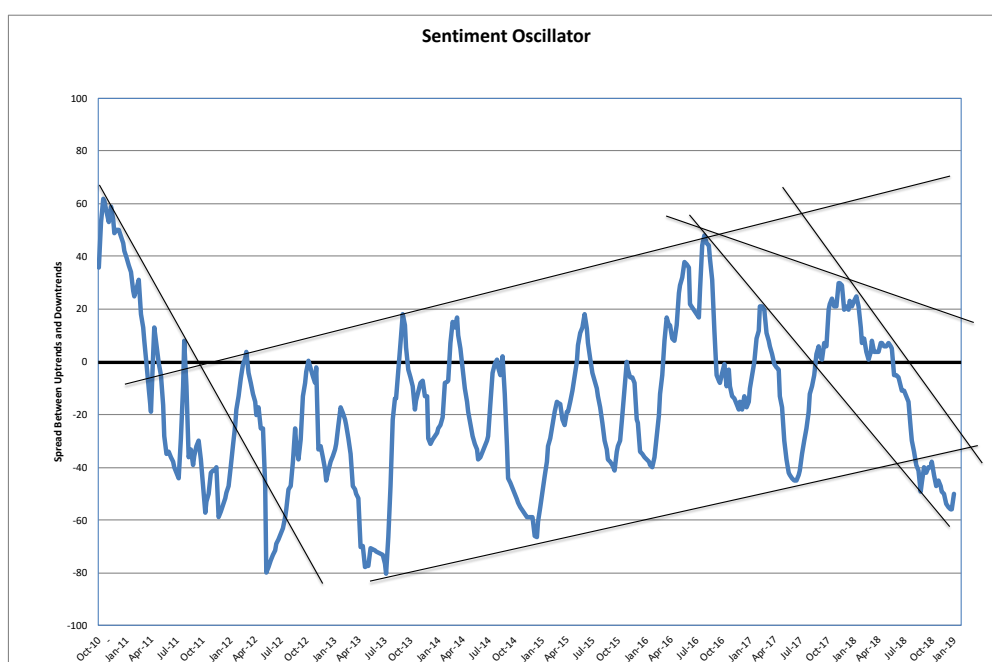
Further, they are in contradiction to the continuous disclosure provisions. If continuous disclosure rules are being properly pursued, all information should be in the market already, in the company announcements that everyone can read.

It is time for ASIC to abandon the s708 requirements that are blatantly discriminatory against the smaller or the less well-endowed investors. Let the little guys have the same opportunity to make money as the richer investors. Stop pretending that a disclosure document protects anyone (other than protecting the income of lawyers and

accountants). After all, the stock market is at best, sophisticated gambling. Acknowledge that now and redesign the regulations accordingly.

We have added Musgrave Minerals to the chart coverage, and deleted Crusader (a gold hopeful for a gold miserable).

Disclosure: Nil



Sentiment Oscillator: Sentiment strengthened a little over the past week, with 15% (13%) of the charts in uptrend and 65% (69%) in downtrend on Friday's close. The improving gold price can take the credit for this.

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	rallying	
Metals and Mining	XMM	breached steep downtrend	
Energy	XEJ	rallying out of steepest downtrend	
Stocks	Code	Trend Comment (updated comments in bold)	Main Interest
Adriatic Resources	ADT	testing uptrend	zinc
Aeon Metals	AML	downtrend confirmed	copper + cobalt
Alacer Gold	AQG	higher, about to test long goer resistance line	gold – production






























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Alkane Resources	ALK	orange	sideways at lows	gold, zirconia
Acacia Resources	AJC	orange	Sideways at the bottom	coal
Alchemy Resources	ALY	orange	sideways	nickel, cobalt
Alicanto Minerals	AQI	red	back to lows	gold exploration
Allegiance Coal	AHQ	green	holding LT uptrend	coal
Alliance Resources	AGS	orange	resting on support line	gold exploration
Altech Chemicals	ATC	red	down	industrial minerals - synthetic sapphire
Anova Metals	AWV	red	new low on poor production report	gold
Apollo Consolidated	AOP	red	breached support	gold exploration
Archer Exploration	AXE	red	breach of support	magnesite, graphite
Argent Minerals	ARD	orange	breached steepest downtrend	silver
Aurelia Metals	AMI	orange	testing uptrend	gold + base metals
AusTin	ANW	red	down	tin, cobalt
Australian Bauxite	ABX	orange	testing uptrend	bauxite
Australian Potash	APC	orange	testing downtrend	potash
Australian Mines	AUZ	red	down again	cobalt/nickel
Australian Vanadium	AVL	red	down heavily	vanadium
Bounty Coal	B2Y	red	down	coal
BHP	BHP	green	rising again	diversified
Base Resources	BSE	red	down	mineral sands
Bathurst Resources	BRL	red	slump	coal
Battery Minerals	BAT	red	sideways at lows	graphite
BBX Minerals	BBX	red	secondary downtrend	gold
Beach Energy	BPT	red	down	oil and gas
Beadell Resources	BDR	red	secondary downtrend	gold
Bellevue Gold	BGL	orange	testing uptrend	gold
Berkeley Energia	BKY	red	collapse - Spanish media	uranium
Blackstone Minerals	BSX	red	back to lows	gold, cobalt
Breaker Resources	BRB	red	down	gold
Broken Hill Prospecting	BPL	orange	testing downtrend	minerals sands
Buru Energy	BRU	red	down	oil
Cardinal Resources	CDV	red	drifting lower	gold exploration
Cassini Resources	CZI	green	stronger	nickel/Cu expl.
Celsius Resources	CLA	red	rallying	copper/cobalt
Chalice Gold	CHN	red	rallying	gold
Cobalt Blue	COB	red	free fall on study results	cobalt
Comet Resources	CRL	orange	breached downtrend, but correction down	graphite
Dacian Gold	DCN	green	steeply higher	gold
Danakali	DNK	orange	breached uptrend	potash
Davenport Resources	DAV	green	steep rise	potash
Doray Minerals	DRM	orange	sideways - merger	gold
Eden Innovations	EDE	red	down	carbon nanotubes in concrete
Egan Street Resources	EGA	red	new low	gold
Emerald Resource	EMR	red	breached steepest downtrend	gold











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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	diamonds
Fortescue Metals	FMG		rallied out of steepest, but still in LT downtrend	iron ore
Galaxy Resources	GXY		heavy fall, then a new uptrend	lithium
Galilee Energy	GLL		turned down	oil and gas, CBM
Gascoyne Resources	GCY		rallying from lows	gold
Gold Road	GOR		breached uptrend	gold exploration
Golden Rim	GMR		sideways	gold exploration
Graphex Mining	GPX		rally then retracement	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		down heavily	mineral sands
Image Resources	IMA		downtrend	mineral sands
Independence Group	IGO		back in downtrend	gold, nickel
ioneer (was Global Geoscience)	INR		down	lithium
Jervois Mining	JVR		heavy fall	nickel/cobalt
Jindalee Resources	JRL		surge higher	lithium
Karoo Gas	KAR		new low	gas
Kasbah Resources	KAS		still in downtrend	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		still down	gold/silver
Mako Gold	MKG		testing downtrend	gold
Marmota	MEU		sideways	gold exploration
MetalsX	MLX		down again	tin, nickel
Metro Mining	MMI		down	bauxite
Mincor Resources	MCR		sideways	gold
Musgrave Minerals	MGV		rising	gold exploration
Myanmar Minerals	MYL		bg	zinc
MZI Resources	MZI		downtrend still	mineral sands
Nelson Resources	NES		slump back to lows	gold exploration
Neometals	NMT		down	lithium
Northern Cobalt	N27		down again	cobalt

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Northern Minerals	NTU		new low	REE
Northern Star Res.	NST		new high	gold
NTM Gold	NTM		back into 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		heavy fall	lithium
Oz Minerals	OZL		new low	copper
Pacific American Coal	PAK		down	coal
Pantoro	PNR		testing downtrend	gold
Panoramic Res	PAN		downtrend again	gold , nickel
Peak Resources	PEK		down	rare earths
Peel Mining	PEX		breached downtrend on drill intercept	copper
Peninsula Energy	PEN		downtrend again	uranium
Perseus Mining	PRU		improving within a downtrend	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		down	diversified
Salt Lake Potash	SO4		re-entering downtrend	potash
Saracen Minerals	SAR		up	gold
St Barbara	SBM		up	gold
Sandfire Resources	SFR		new low	copper
Santana Minerals	SMI		new low	silver
Santos	STO		short term down	oil/gas
Sheffield Resources	SFX		down	mineral sands
St George Mining	SGQ		breached support	nickel
Sipa Resources	SRI		crunched down	general exploration - Ni,Cu, Co, Au
Stanmore Coal	SMR		new high	coal
Sundance Energy	SEA		downtrend again	oil/gas
Syrah Resources	SYR		new low	graphite
Talga Resources	TLG		down	graphite
Tanami Gold	TAM		testing downtrend	gold
Technology Metals	TMT		short term down	vanadium
Tiger Realm	TIG		down	coal
Triton Minerals	TON		down	graphite
Troy Resources	TRY		down	gold

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Tyranna Resources	TYX		back in downtrend	gold exploration
Vango Mining	VAN		down	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		down	coal
Totals	15%	21	Uptrend	
	65%	93	Downtrend	
		144	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	26.4%	
Gold Exploration	14	9.7%	
Graphite	9	6.3%	
Nickel	9	6.3%	
Coal	8	5.6%	
Oil/Gas	8	5.6%	
Lithium	8	5.6%	
Copper	6	4.2%	
Mineral Sands	6	4.2%	
Zinc	5	3.5%	
Potash/Phosphate	5	3.5%	
Cobalt	4	2.8%	
Tin	3	2.1%	
Uranium	3	2.1%	

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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	144		

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