

Disengaging markets mean you have to look for special situation and specific merits

A turn for the worse during the week

Last week we said the indices were on a knife edge with potential to go either way. Well, they went down. There was no reason to go higher and there is a limit to how long markets go sideways, so selling is the end result. Investors would rather sit on the sidelines. The resumption of a downtrend by BHP hasn't helped the sentiment.

Last night (*this was written on Friday morning*) the Dow had its worst day in six weeks, falling 174 points. This is likely just profit taking in response to the strength of recent weeks, but it could also be an inflection point. It could be that the worm is turning and there will be reversal of the recent trend with respect to the US\$, the Dow and commodity prices.

Sifting through the sectors we see that lithium stocks continued to perform well with the market prepared to divert more funds into lithium (see Pilbara Mineral's \$85m placement). In most cases copper stocks are holding their own. Gold stocks tend to be marking time and may offer good buying opportunities for those prepared to buy ahead of the next leg upwards. There is nothing generic about gold stocks though and each one has to be assessed on its individual merits. Oil stocks are generally drifting back after their strong rally. The same applies to iron ore stocks.

Are you looking for a cobalt stock?

Cobalt is an essential metal used in battery production, alongside lithium and graphite, but it is mostly a by-product of other metal mines such as copper and nickel. The availability of cobalt is dependent upon the production profile of these metals and a further complicating factor is the reliance on the DRC for supplies of cobalt. We have seen the stock market enthusiasm for graphite first, and more recently lithium, but what about cobalt? How do you play this metal?

We do have a cobalt stock under chart coverage but we have never mentioned the cobalt merits. That is because the most advanced project is a high-grade mineral sands project near Broken Hill. The cobalt has been sitting dormant for a few years, but it is still there. The company is Broken Hill Prospecting (BPL). The Company was issued a speeding ticket on Tuesday after the shares jumped from 2.5¢ to 4¢, and two days later it hit 5.9¢.

The Thakaringa Project (100% BPL) comprises cobalt and pyrite, so it is another example of cobalt being a co-product, but it is next door to Broken Hill rather than in darkest Africa. Earlier studies have looked at an open pit mine to produce a cobalt-pyrite concentrate, employing sulphide roasting to produce sulphuric acid and to recover cobalt from roast ash.

Based on a resource of 35.7 Mt of ore averaging 1.85 lb/t of cobalt, a 7.5 Mtpa mine could produce 1.5 mtpa of concentrate (0.45% Co) containing 6,300 tpa of cobalt metal. Associated sulphuric acid production would be 1 Mtpa. That is where the project stalled previously. BPL needs to find a market for the acid.

Given that the market capitalisation of BPL is only \$5.4m, its capital base has limitations at present. It would need additional funding to advance Thakaringa and it would be better for shareholders if that came via a joint venture partner. With the spotlight suddenly on cobalt and BPL, it is likely to receive a lot of attention given the substantial in-situ resource and the safe jurisdiction. There will be plenty of promoters that would like leverage to cobalt with a joint venture, and a story to tell in the market place, but a serious mine developing joint venture partner would be preferable in order to develop a real business. In the meantime it is likely that BPL will become the speculators favourite cobalt play.

Diamonds prices are starting to improve

The diamond market is looking more promising with De Beers putting up the prices by 2% for rough stones for the first time in more than a year. The reports say that this is in response to rising demand, but I understand there has also been an element of withholding diamonds from the market for a time. It was a difficult year in 2015, with rough diamond prices falling by 18% (see chart below). We are now seeing the first signs of a turnaround.

Outside of this piece of news flow, Stephen Wetherall of Lucapa Diamond Company has stated recently that he has seen the diamond market strengthening in recent months. Maybe the softer market last year didn't worry Lucapa too much, as its high quality diamonds are always keenly sought after, but throughout 2015 when presenting to investors and in London in particular, one of the first negatives the investors would put on the table was the soft diamond market. It may be that this excuse to stay out of the shares is now diminishing.



Sentiment Indicator: There wasn't much change in sentiment over the week. There were 36% (35%) of the stocks in uptrend and 28% (26%) 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	back under trend line	
Metals and Mining	XMM	back under trend line	
Energy	XEJ	back under trend line	
Stocks	Code	Trend Comment (updated comments in bold)	Main Interest
ABM Resources	ABU	stopped by resistance	gold
Aeon Metals	AML	correcting lower	copper + cobalt
Alacer Gold	AQG	correcting lower	gold – production
Alkane Resources	ALK	continuing down	gold, zirconia
Acacia Resources	AJC	Sideways at the bottom	coal
African Energy	AFR	still in downtrend	coal
Agua Resources	AGR	downtrend	phosphate
Alicanto Minerals	AQI	correcting lower	gold exploration
Altech Chemicals	ATC	breached uptrend with a placement	industrial minerals
Anova Metals	AWV	uptrend, consolidating	gold
Antipa Minerals	AZY	rising	gold
Archer Exploration	AXE	punched through downtrend, then pullback	graphite
Argent Minerals	ARD	strong rise	polymetallic
Atlas Iron	AGO	resting on support line	iron ore
Atrum Coal	ATU	breached ST uptrend	coal
Australian Bauxite	ABX	testing downtrend	bauxite
Avanco Resources	AVB	testing ST uptrend	copper
AWE	AWE	breached ST uptrend	oil and gas
BHP	BHP	down	diversified
Base Resources	BSE	steep rise from lows	mineral sands
Beach Energy	BPT	breached ST uptrend	oil and gas
Beadell Resources	BDR	strong rise	gold
Berkeley Resources	BKY	testing correcting pattern, on the upside	uranium
Blackham Resources	BLK	steeply higher	gold
Broken Hill Prospect.	BPL	steeply higher	minerals sands, cobalt
Buru Energy	BRU	sideways at lows	oil
Canyon Resources	CAY	rising	bauxite
Cardinal Resources	CDV	sideways	gold exploration
Carnegie Wave	CWE	breached downtrend	wave energy
Cassini Resources	CZI	new uptrend	nickel/Cu expl.
Chalice Gold	CHN	testing ST uptrend	gold
Consolidated Tin	CSD	heavy slump	tin
Consolidated Zinc	CZL	secondary downtrend	zinc
Coventary Resources	CYY	breached downtrend	copper
Dacian Gold	DCN	uptrend , at high	gold exploration
Danakiali	DNK	down	potash
Doray Minerals	DRM	new high	gold
Duketon Mining	DKM	rallying in a secondary uptrend	nickel
Eden Energy	EDE	new high	carbon nanotubes in concrete
Energia Minerals	EMX	uptrend in place	zinc
Energy Resources	ERA	breached downtrend	uranium
Evolution Mining	EVN	back to support line	gold
Excelsior Gold	EXG	rolling over, short term down	gold
First Australian	FAR	breached downtrend	oil/gas
First Graphite	FGR	risen from lows	graphite

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Fortescue Metals	FMG	huge rise then correction	iron ore
Galaxy Resources	GXY	new high	lithium
Galilee Energy	GXY	surged higher, then pullback	oil and gas, CBM
Gascoyne Resources	GCY	uptrend, new high	gold
General Mining	GMM	new high	lithium
Geopacific Res. Resources	GPR	new uptrend	copper/gold exp.
Gold Road	GOR	uptrend	gold exploration
Goldphyre	GPH	back to support line	potash, gold
Gryphon Minerals	GRY	testing ST uptrend	gold
Herron Resources	HRR	sideways	zinc
Highfield Resources	HFR	heavy fall	potash
Highlands Pacific	HIG	testing downtrend	copper, nickel
Hillgrove Resources	HGO	collapse	copper
Hot Chilli	HCH	off its lows	copper
Iluka Resources	ILU	down heavily	mineral sands
Independence	IGO	breached uptrend, ST down	gold, nickel
Intrepid Mines	IAU	sideways	copper
IMX Resources	IXR	testing downtrend	graphite
Karoo Gas	KAR	new low	gas
Kasbah Resources	KAS	breached uptrend	tin
KBL Mining	KBL	collapse back to lows	copper/gold/zinc
Kibaran Resources	KNL	breaching support	graphite
Kin Mining	KIN	at lows	gold
King Island Scheel.	KIS	New low	tungsten
Kingsgate Consol.	KCN	secondary downtrend	gold
Kingsrose Mining	KRM	at resistance	gold
Legend Mining	LEG	testing uptrend	exploration
Lithium Australia	LIT	new high	lithium
Lucapa Diamond	LOM	breached uptrend (April option expiry influence)	diamonds
Macphersons Res.	MRP	testing uptrend	silver
Medusa Mining	MML	testing uptrend	gold
Metals of Africa	MTA	surged higher, but at resistance line	zinc expl/graph.
MetalsX	MLX	breached downtrend	tin, gold
Mincor Resources	MCR	testing resistance line	nickel
MMJ PhytoTech	MMJ	uptrend breached	medical cannabis
Mount Gibson	MGX	sideways	iron ore
Mustang Resources	MUS	new low	diamonds, rubies
MZI Resources	MZI	new low	mineral sands
Newfield Resources	NWF	collapse on tiny volume	diamonds
Northern Minerals	NTU	new low	REE
Northern Star Res.	NST	looks like a short term top	gold
Oceana Gold	OGC	looks like a short term top	gold
Oklo Resources	OKU	rising	gold expl.
OM Holdings	OMH	New low	manganese
OreCorp	ORR	vertical rise	gold development
Orinoco Gold	OGX	short term down	gold development
Orocobre	ORE	through resistance and higher	lithium
Oz Minerals	OZL	testing uptrend	copper
Paladin Energy	PDN	breaching downtrend	uranium
Pacific American Coal	PAK	strong rise	coal
Pantorro	PNR	rising	gold
Panoramic Res	PAN	breached uptrend	nickel
Panterra Gold	PGI	new uptrend	gold production
Paringa Resources	PNL	breaching downtrend	coal
Peel Mining	PEX	down	copper
Peninsula Energy	PEN	testing downtrend	uranium
Perseus Mining	PRU	rising again	gold
Pilbara Minerals	PLS	sideways	lithium/tantalum
Platina Resources	PGM	breached downtrend	PGMs, gold

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Potash West	PWN		breached downtrend	potash
Red River Resources	RVR		rising again	zinc
Regal Resources	RER		strong rise	copper
Regis Resources	RRL		looks like a short term top	gold
Renaissance Min.	RNS		short term higher, with pullback	gold
Resolute Mining	RSG		breached steep uptrend	gold
Reward Minerals	RWD		down	potash
Rex Minerals	RXM		surge through downtrend	copper
RIO	RIO		steep ST uptrend	diversified
RTG Mining	RTG		strongly higher	copper/gold
Rum Jungle	RUM		turned down at resistance line	quartz
Salt Lake Potash	SO4		uptrend	potash
Saracen Minerals	SAR		new high	gold
St Barbara	SBM		new high	gold
Sandfire Resources	SFR		ST downtrend	copper
Santana Minerals	SMI		vertical rise then pullback	silver
Santos	STO		testing uptrend	oil/gas
Sheffield Resources	SFX		uptrend in play	mineral sands
Silver City Minerals	SCI		good bounce	base metals
Silver Lake Resources	SLR		breached new uptrend	gold
Sino Gas & Energy	SEH		new uptrend	gas
Southern Gold	SAU		testing uptrend	gold
Sthn Hemisphere	SUH		down	copper
Stavely Minerals	SVY		fallen again	copper exploration
Sunbird Energy	SNY		New low	gas/CBM
Sundance Energy	SEA		surge higher	oil/gas
Syrah Resources	SYR		breached uptrend	graphite
Talga Resources	TLG		sideways through downtrend	graphene
Tanami Gold	TAM		down	gold
Tiger Resources	TGS		back into downtrend	copper
TNG Resources	TGS		secondary uptrend	titanium, vanadium
Torian Resources	TNR		downtrend	gold expl'n
Toro Energy	TOE		downtrend	uranium
Troy Resources	TRY		uptrend	gold
UraniumSA	USA		Secondary downtrend	uranium
URI	URI		downtrend	uranium
Vimy Resources	VMY		back to downtrend	uranium
West African Resources	WAF		strong rise	gold
Westwits	WWI		breached downtrend	gold exploration/development
Western Areas	WSA		breached uptrend	nickel
Wolf Minerals	WLF		down	tungsten
Totals	36%	52	Uptrend	
	28%	40	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.

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- 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	22.9%
Copper	18	12.5%
Oil/Gas	10	6.9%
Gold Exploration	10	6.9%
Uranium	8	5.6%
Graphite	6	4.2%
Potash/Phosphate	7	4.9%
Zinc	6	4.2%
Nickel	5	3.5%
Coal	5	3.5%
Mineral Sands	5	3.5%
Iron Ore	3	2.1%
Tin	3	2.1%
Lithium	4	2.8%
Silver	3	2.1%
Diamonds	3	2.1%
Bauxite	2	1.4%
Other	13	
Total	144	

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