

25 July 2020

On Friday's Close

Analyst : Warwick Grigor

## The rules have changed, for now

Perhaps it is time to acknowledge that we are playing a different ball game today. Rules that have been around for decades are not binding any more. By all rights the markets should be depressed due to the virus and the certainty that the economy and businesses are going through the toughest time since the 1930s, but they are not. Why not? Seeing governments all around the world spending up big, on borrowed funds, to alleviate the pain of the slowing economies should make the market nervous about how this debt is going to be paid back, but they are not. The opposite is the case. Prudent, cautious investors who are not participating in the market rise are underperforming.

### *Heaps of debt, but so what!*

It is true that debt matters to us as individuals because we know that if we get in too deep, we go bankrupt. However, the same doesn't seem to apply to countries and governments. They seem to always come up with some sort of fix. When every country in the world is taking on debt because of the virus, and there is no enforcer of fiscal discipline, then anything goes. No-one is going to make governments pay back debt.

Right now it is all about making us feel good and keeping the wheels turning. This is being financed by printing money and handing it over to the individuals, companies and special interest groups who are being compensated for the commercial pain that comes with lockdowns. It is all about increasing liquidity and that liquidity is finding its way into the market place. Hence, the booming stock market.

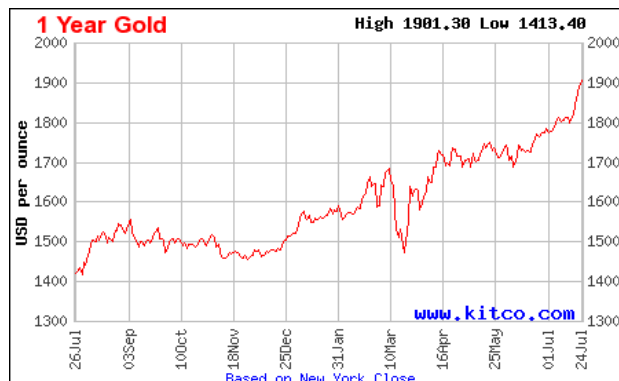
### *Valuation Methodology Seems Irrelevant*

Analysts are paid to prepare earnings forecasts and to comment on value in the market place, both real and relative. However, they tend to find themselves in deep water in times like these, when psychology is the most important factor.

Any fundamental industrial analyst will tell you that company share prices are headed for a fall when they factor in the slowdown in the economy, especially then they realise that the virus effect is going to be longer than first hoped. Earnings estimates will have to be reduced. However, the same does not apply to speculative mining situations that don't have any earnings. All that matters is that share prices are going up. It seems that the more they rise the more people are getting sucked into the game. So far it is a game where the players are all doing well. It is all about FOMO now, not fear.

### *Gold just gets better and better*

Have a look at the chart for spot gold. Gold is consistently rising in one of the most orderly bull markets that we have seen for this metal. It doesn't feel like wild speculation with extreme volatility. Apart from the dip when the virus panicked the markets for a brief period of time, it has just been walking higher.



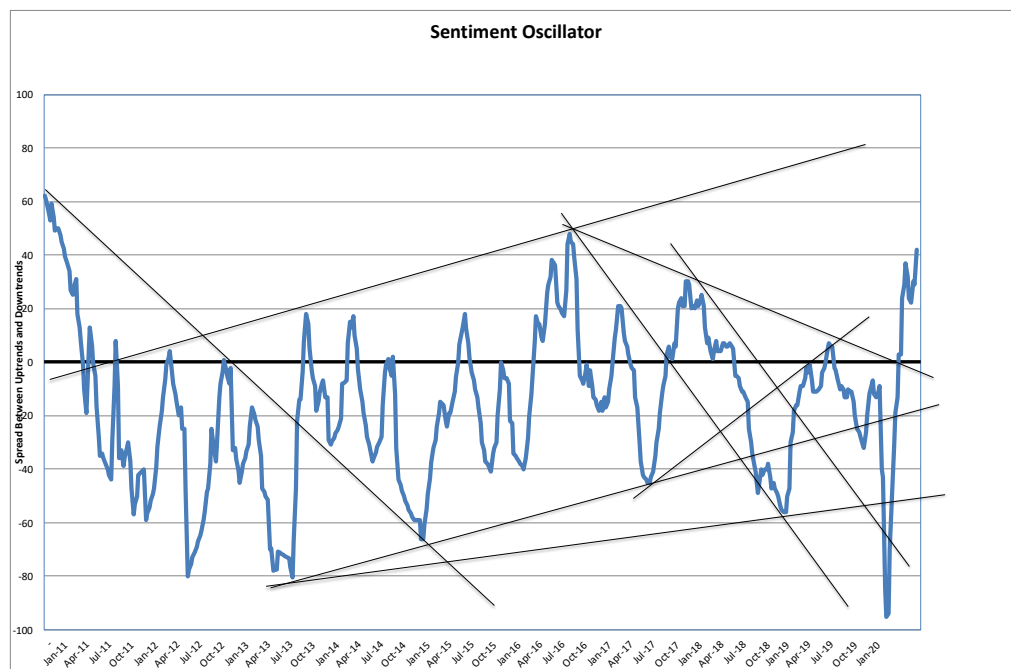
There is a very logical reason why gold is sought after at present. All that debt being created around the globe is the reason. Governments won't be able to pay off the debt that is being created now. It will be impossible. The austerity needed in the form of increased taxes and/or fiscal tightening would just bring on a whole new world of pain for everyone. It would be political suicide. So, governments will just learn to live with the debt.

The reason why the gold price is going up (apart from the increasing tension with China) is that it is a safe haven where value will be protected from the inflationary excesses that must come from the enormous debt in the world. If debt really is bad and can't be sustained, the only politically acceptable way to reduce it will be to allow inflation to erode it over time. The trouble is that once the inflation genie is let out of the bottle, it is very hard to put it back. Those people over the age of 60 know from past experience. It will be a different ball game yet again.

### *Silver is starting to move*

A number weeks back we suggested that now was the time to be sorting through the silver stocks because it was only a matter of time before the enthusiasm for gold flowed into silver. Well, it is happening now. Look at the chart below.





**Sentiment Oscillator:** Sentiment surged higher steady over the week with 59% (51%) of the charts in uptrend and 17% (22%) in downtrend on Friday's close.

### 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	testing uptrend	
Metals and Mining	XMM	down from highs	
Energy	XEJ	sideways	
Stocks	Code	Trend Comment (updated comments in bold)	Main Interest
Alpha HPA	A4N	new high	HPA
Adriatic Resources	ADT	new high	zinc
Aeon Metals	AML	rising	copper + cobalt
Alkane Resources	ALK	new high	gold, zirconia
Alicanto Minerals	AQI	back to recent highs	gold exploration
Allegiance Coal	AHQ	at lows	coal
Alliance Resources	AGS	sideways at highs	gold exploration
American Rare Earths (was BPL)	ARR	on support line	rare earths
Apollo Consolidated	AOP	new high	gold exploration
Arafura Resources	ARU	down again	rare earths
Aurelia Metals	AMI	continuing higher	gold + base metals
Australian Potash	APC	breached downtrend	potash

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Australian Vanadium	AVL		new low	vanadium
Auteco Minerals	AUT		at highs	gold exploration
BHP	BHP		back to support line	diversified, iron ore
Base Resources	BSE		hitting resistance	mineral sands
BBX Minerals	BBX		surge higher	gold exploration
Beach Energy	BPT		heading lower	oil and gas
Beacon Mining	BCN		still beneath resistance line	gold production
Bellevue Gold	BGL		new high again	gold exploration
Blackstone Minerals	BSX		rising	nickel
Blue Star Helium	BNL		sideways through uptrend	gas, helium
Breaker Resources	BRB		still in LT downtrend	gold exploration
Buru Energy	BRU		heading lower	oil
Buxton Resources	BUX		turned down at resistance line	nickel exploration
Capricorn Metals	CMM		new high	gold
Cardinal Resources	CDV		surge on takeover bid	gold exploration
Central Petroleum	CTP		shallower downtrend	oil/gas
Chalice Gold	CHN		rallying	gold exploration
Chase Mining	CML		testing downtrend	nickel/copper/PGE
Chesser Resources	CHZ		testing uptrend	gold exploration
Dacian Gold	DCN		new low	gold
Danakali	DNK		rising	potash
Davenport Resources	DAV		rallying	potash
De Grey	DEG		pullback and then a rally	gold
E2 Metals	E2M		at highs	gold exploration
Ecograp (was Kibaran)	EGR		sideways	graphite
Element 25	E25		uptrend	manganese
Emerald Resource	EMR		new high	gold
Euro Manganese	EMN		at lows	manganese
Evolution Mining	EVN		at highs	gold
First Graphene	FGR		still in long term downtrend	graphene
Fortescue Metals	FMG		new high	iron ore
Galaxy Resources	GXY		breaching support	lithium
Galena Mining	G1A		rising	lead
Galilee Energy	GLL		breached uptrend	oil and gas, CBM
Gold Road	GOR		rising	gold
Graphex Mining	GPX		spiked higher on lifting of suspension	graphite
Heron Resources	HRR		breaching downtrend	zinc
Highfield Resources	HFR		falling back to support line	potash
Hillgrove Resources	HGO		still in downtrend	copper
Iluka Resources	ILU		correcting lower	mineral sands
Image Resources	IMA		improving	mineral sands
Independence Group	IGO		Uptrend breached	gold, nickel
ioneer (was Global Geoscience)	INR		down	lithium
Ionic Rare Earths (Oro Verde)	IXR		sideways	rare earths

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Jervois Mining	JVR		rallying	nickel/cobalt
Jindalee Resources	JRL		still under resistance line	lithium
Kin Mining	KIN		uptrend	gold
Kingston Resources	KSN		new high	gold
Kingwest Resources	KWR		testing downtrend	gold
Legend Mining	LEG		downtrend	nickel exploration
Lepidico	LPD		testing downtrend	lithium
Lindian Resources	LIN		breached downtrend	bauxite
Lithium Australia	LIT		still in long term downtrend	lithium
Lotus Resources	LOT		rallying	uranium
Lucapa Diamond	LOM		breached downtrend	diamonds
Lynas Corp.	LYC		breaching uptrend	rare earths
Mako Gold	MKG		pullback	gold exploration
Manhattan Corp	MHC		spiked higher on positive drill results	gold exploration
Marmota	MEU		strong recovery	gold exploration
MetalsX	MLX		breached downtrend	tin, nickel
Metro Mining	MMI		rising	bauxite
Mincor Resources	MCR		off from high	gold/nickel
Musgrave Minerals	MGV		strongly higher	gold exploration
Myanmar Minerals	MYL		breached downtrend	zinc
Nelson Resources	NES		rising	gold exploration
Neometals	NMT		continuing down	lithium
Northern Minerals	NTU		testing downtrend	REE
Northern Star Res.	NST		rallying	gold
NTM Gold	NTM		rising again	gold exploration
Oceana Gold	OGC		new high	gold
Oklo Resources	OKU		breached uptrend	gold expl.
OreCorp	ORR		rising	gold development
Orocobre	ORE		heavy correction	lithium
Oz Minerals	OZL		on trend line	copper
Pacific American Holdings	PAK		new low	coal
Pacifico Minerals	PMY		rising	silver/lead
Pantoro	PNR		new high	gold
Panoramic Res	PAN		down	gold , nickel
Peak Resources	PEK		risen to meet resistance line	rare earths
Peel Mining	PEX		uptrend	copper
Peninsula Energy	PEN		down again	uranium
Pure Minerals	PM1		rising	nickel/cobalt/HPA
Pensana Metals	PM8		rising again	rare earths
Perseus Mining	PRU		rising	gold
Pilbara Minerals	PLS		at apex of flag	lithium
Polarex	PXX		uptrend	polymetallic exploration
Ramelius Resources	RMS		on trend line	gold production
Red5	RED		rallying	gold

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Red River Resources	RVR		broken through resistance line	zinc
Regis Resources	RRL		uptrend again	gold
Regergen	RLT		rising	gas, helium
Resolution Minerals	RML		rising again	gold
Resolute Mining	RSG		rising	gold
RIO	RIO		surge higher	diversified, iron ore
Rumble Resources	RTR		breached steep uptrend	Gold exploration
Salt Lake Potash	SO4		hitting resistance	potash
Saracen Minerals	SAR		on trend line	gold
St Barbara	SBM		on trend line	gold
Sandfire Resources	SFR		on trend line	copper
Santos	STO		breached uptrend	oil/gas
Saturn Metals	STN		recapturing uptrend	gold exploration
Sheffield Resources	SFX		correcting within uptrend	mineral sands
Sky Metals	SKY		heavy correction	gold exploration
St George Mining	SGQ		breached uptrend	nickel
Silex Systems	SLX		pullback	uranium enrichment technology
Silver Mines	SVL		on trend line	silver
Sipa Resources	SRI		rising	general exploration - Ni,Cu, Co, Au
Stanmore Coal	SMR		down again	coal
Strandline Resources	STA		new high	mineral sands
Syrah Resources	SYR		breached uptrend	graphite
Talga Resources	TLG		rising	graphite
Technology Metals	TMT		rising	vanadium
Tesoro Resources	TSO		steep rise	gold exploration
Theta Gold Mines	TGM		steep rise	gold
Titan Minerals	TTM		bouncing off support line	gold
Vango Mining	VAN		rising	gold
Venturex	VXR		down again	zinc
Vimy Resources	VMY		heavy fall after placement	uranium
West African Resources	WAF		off its high	gold
Westgold Resources	WGX		rising again	gold
West Wits Mining	WWI		rising	gold
Western Areas	WSA		falling back to support line	nickel
Whitebark Energy	WBE		sideways	oil and gas
Whitehaven Coal	WHC		secondary downtrend	coal
Yandal Resources	YRL		rising	gold exploration
Zinc Mines of Ireland	ZMI		testing downtrend	zinc
Totals	59%	81	Uptrend	
	17%	23	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	31	22.5%	
Gold Exploration	22	15.9%	
Zinc/Lead	10	7.2%	
Nickel	8	5.8%	
Oil/Gas	8	5.8%	
Lithium	8	5.8%	
Coal	5	3.6%	
Mineral Sands	5	3.6%	
Rare Earths	7	5.1%	
Potash/Phosphate	5	3.6%	
Copper	5	3.6%	
Graphite	4	2.9%	
Iron Ore/Manganese	5	3.6%	
Uranium	3	2.2%	
Bauxite	3	2.2%	
Silver	3	2.2%	
Cobalt	1	0.7%	
Vanadium	1	0.7%	
Tin	1	0.7%	
Diamonds	1	0.7%	
Other	2		
Total	138		

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