

Reactions to the tariff moves could be a red herring

The world markets are still getting their knickers in a knot about the implications of a 25% tariff on steel in to the US, and aluminium tariffs of 10%. Anyone who studies economics is taught that tariffs are inefficient, so we get that, but efficiency has many different measures. Are we looking from a national or a global perspective? Are we thinking about global corporations or domestic producers? If you are global, you will relocate to the country offering the best deal. If you are only a domestic producer you don't have the same flexibility so you have to take any changes on the chin, be they good or bad.

Rather than just panic about what the US is going to do, we should be looking at what tariffs, subsidies or other government intervention there is in markets all around the world. I'll bet that there are many examples of Asian and European countries with their own form of protection. An obvious example is automotive imports. Europeans have a 10% impost on cars being imported into the EU, but the Americans only have a 2% import tax on cars. Who is playing fair here? You can't say Germany is not achieving an advantage.

Whenever any government moves the goal posts there will be winners and losers. As investors we should be determining who falls into which camp, and move to the winners. Wholesale selling of markets is not smart.

The US stock market has looked topky for a long time. We have looked on in disbelief at ever improving highs over recent years. Now that it is maturing and probably heading downward for a while, we need to accept reality. Making sense of the falls in the Dow by blaming the tariff initiatives could be an example of looking for excuses for market moves, or catalysts, rather than really understanding the market dynamics; any excuse will do because it sounds credible at the time.

For the real reason why the Dow will go down rather than up, look to the interest rate predictions. As we said last week, look for signs of inflation coming back, and then decide whether the Fed will make a pre-emptive strike to pinch out inflation early, or whether it will be weak in the face of pressure not to do anything that brings down the shutters on the bull market. History shows us that the monetary authorities usually do too little, too late. Market volatility will oscillate around the competing opinions and expectations. So, markets have failed to inspire over recent days even though things look fine on most fronts.

Interestingly, the leading gold producers were universally strong mid week, with new highs being forged. The gold sector has been very teasing for an extended period now, seeming to be range bound between US\$1,310 and US\$1,350/oz, as if it is being managed. At times in the past we have seen gold producers lead the gold price. Could this be happening now?

US tipped to overtake Russian oil production

You gain a better appreciation of why oil prices are where they are today when you realise that the US is about to overtake Russia as the world's largest oil producer (outside of OPEC). US oil production is forecast to grow to 12.1 million barrels a day in 2023, up from 10.6 million barrels this year. The oil and gas boom in the USA, driven by technological advances and improved efficiencies, is pumping up supply and keeping oil prices low. The ability of OPEC to counter this trend is somewhat limited given the hunger of the member countries for money.

The US is set to become one of the world's largest oil exporters. Brazil, Canada and Norway are also looking at increasing oil production. Factor in the moderation of demand for oil as electric vehicles start to become mainstream and it is difficult to see much upward pressure on the oil price. This explains why the ASX Energy Index is looking like it wants to go lower.

Orinoco drilling another high grade project

During the week OGX announced the commencement of a drilling program at Antena-Xupè, 8 km from the Cascavel treatment plant. The program comprises 11 diamond drill holes for 1,600m of core.

While we have been focussing on the Cascavel mine and the return to the very high grades that were originally expected, it should not be forgotten that the region holds great promise for other orebodies. Antena-Xupè is on two granted mining leases that could quickly add to mineable resources around historical pits that have previously returned high grades. A 70 kg sample from the Antena South pit returned 13.97 gpt. Good results from this program could be a further fillip to the share price.

Disclosure: Far East Capital and its associates own shares in Orinoco. FEC received capital raising fees from a placement completed in December 2017.

MRP disappoints with a resource grade of 0.96 gpt

MacPhersons shares took a hit this week on the release of a disappointing resource "upgrade" at Boorara. While the total number of ounces increased by 118% to 507,000 oz, the drop in the grade from 1.2 gpt to 0.96 gpt was not what we were looking for. It is difficult to take a positive spin on this. The comparisons with the Mt Charlotte style of mineralisation are academically interesting, but not commercially significant if the grade is as low as has been reported.

Previous announcements and drilling results had left readers with a view that the grade would improve due to the better understanding of the orientation of the gold bearing geology. The trial open pit that was excavated came in with a much better grade than the 1.2 gpt resource

estimate at the time, so there was a view that the previous method of calculation had underestimated the true grade. It is difficult to reconcile these observations with the latest release.

This news serves as another reminder that it can be misleading to rely on individual drill results taken out of context. Companies love to report their best holes but these are not statistically meaningful in many instances. Almost all companies do this, and when they are placed in context of a resource calculation, it is normal for the grade to be lower and the shareholders are consequentially disappointed. I thought this was going to be different here based on the trial pit, which should have given a strongly representative sample.

The other lesson for company directors and managers to remember is that shareholder expectations need to be managed. There is no point in getting shareholders wound up with enthusiasm if there is a risk that they will be disappointed. It is not good to over-promise and under-deliver. The chickens eventually come home to roost.

Having expressed these views, shareholders should wait until the resource has been optimised for mining. The kriging method of calculation can “dumb-down” the resource, increasing the tonnage and lowering the grade. We really need mining engineers to advise us on what can be mined most profitably.

Disclosure: Far East Capital and its associates own shares in Macphersons

Gender pay gap debate needs a new thesis

It is time to introduce some intelligent suggestions into the gender pay gap debate, taking it beyond the gender jihad conflict.

There is no doubt that there is no room for a difference in pay rates between men and women. If they do the same job, just as competently, they should be paid the same

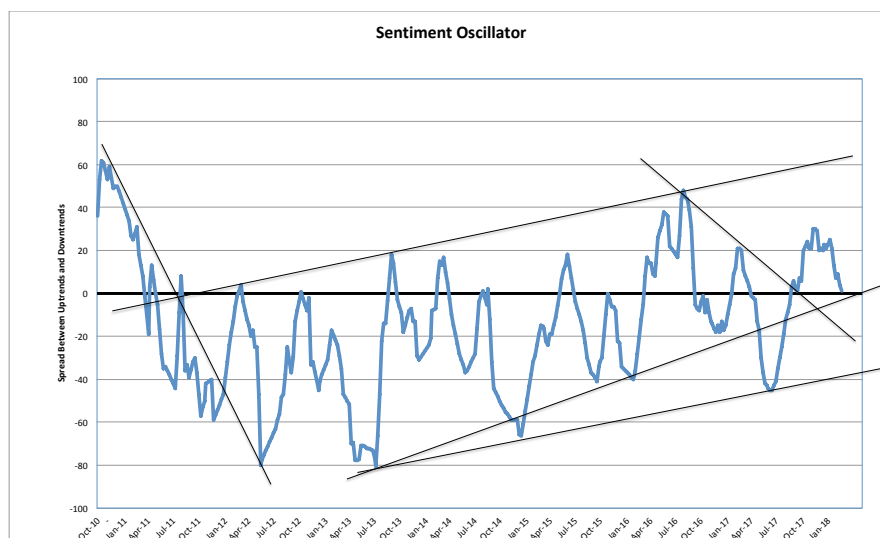
money. This should apply to wages and salaries. Where it is performance-based remuneration, such as commissions, a person should be paid according to a formula that is the same for men and women. There is no argument here, but what about the “elitist” jobs where remuneration is based more on less generic qualities? To what extent should our society be permitting the indulgence and the egos in men or women?

By saying they want to be paid as much as male CEOs, women are really saying they want to be elitists. Well, I don't have much time for elitists that are driven by greed.

There is no doubting that the vast majority of CEOs are overpaid. They fight tough and hard to get to these positions and it is often because they are good at politics as opposed to doing real, productive work. They want to be top dog and then they want the rewards.

If women want to do something socially useful, as opposed to just selling out to greed and chasing the ridiculously high remuneration, they should be offering themselves as serious contenders for CEO positions on more modest pay packets. Let the competition they provide help bring down excessive remuneration packages for CEOs to less offensive levels. At the same time, make them more performance orientated so they can be well rewarded if they do a great job. There is much more merit in this approach than just saying “*I want to be paid as much as him*”. Women would be paid more, men would be paid less, and there would be greater competition to bring out the best of the talent.

In another sector women are now saying they want to be paid as much as the top sportsmen. That sounds like a money grubbing argument to me. The elite sportsmen are grossly overpaid. It would be crazy to pay women the same rates. Two wrongs don't make a right. We should be using women's sports as alternative entertainment with the competition they provide used to bring down the pay rates of the men. That is what competition is all about. Of course, this does rely on the entertainment they provide being competitive as a spectacle as well.
































Sentiment Indicator: Sentiment softened further over the week with 34% (35%) of the charts in uptrend and 33% (31%) in downtrend on Friday's close. We have changed the time scale on the Sentiment Oscillator, deleting the oldest two years of data to try and get a better view of more recent trends now that the equilibrium line has been hit again. Since April 2011, sentiment has spent most of its time in the negative. We have just been in the positive ground for a while but are heading back into the negative now. That observation is in conflict with the fundamental view that commodity prices and business conditions are looking the best they have for some time. So, we are getting mixed signals. There is a need for some caution as there is a disconnect between what the fundamentals are telling us, and what the market is thinking.

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	still in uptrend	
Metals and Mining	XMM	short term lower	
Energy	XEJ	short term lower	
Stocks	Code	Trend Comment (updated comments in bold)	Main Interest
ABM Resources	ABU	testing steepest downtrend	gold
Aeon Metals	AML	correcting from new high	copper + cobalt
Alacer Gold	AQG	holding uptrend	gold – production
Alkane Resources	ALK	down after hitting LT resistance	gold, zirconia
Acacia Resources	AJC	Sideways at the bottom	coal
Aguia Resources	AGR	secondary downtrend	phosphate
Alicanto Minerals	AQI	breached downtrend	gold exploration
Allegiance Coal	AHQ	on support line	coal
Alliance Resources	AGS	resuming uptrend	gold exploration
Altech Chemicals	ATC	holding on support line	industrial minerals - synthetic sapphire
Anova Metals	AWV	falling again	gold
Antipa Minerals	AZY	new low	gold
Apollo Consolidated	AOP	surge higher	gold exploration
Archer Exploration	AXE	down	magnesite, graphite
Argent Minerals	ARD	still in downtrend	polymetallic
Aurelia Metals	AMI	punched through resistance	gold + base metals
AusTin	ANW	testing uptrend	tin, cobalt
Australian Bauxite	ABX	continuing in downtrend	bauxite
Australian Potash	APC	wedge forming	potash
Australian Mines	AUZ	breached short term downtrend	cobalt/nickel
Australian Vanadium	AVL	correcting lower	vanadium
Avanco Resources	AVB	downtrend	copper
Azure Minerals	AZS	down	silver
BHP	BHP	short term down	diversified
Base Resources	BSE	weakening	mineral sands
Bathurst Resources	BRL	new high	coal
Battery Minerals	BAT	correcting lower	graphite
BBX Minerals	BBX	breaching uptrend	gold
Beach Energy	BPT	new high	oil and gas
Beadell Resources	BDR	another new low	gold
Berkeley Energia	BKY	uptrend breached	uranium
Berkut Minerals	BMT	spiked to new high, then heavy fall	cobalt
Blackham Resources	BLK	new low	gold
Blackstone Minerals	BSX	breached downtrend	gold, cobalt
Broken Hill Prospect.	BPL	testing uptrend	minerals sands, cobalt
Buru Energy	BRU	pullback	oil
Cardinal Resources	CDV	testing short term downtrend	gold exploration

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Cassini Resources	CZI		rising	nickel/Cu expl.
Celsius Resources	CLA		downtrend	copper/cobalt
Chalice Gold	CHN		on support line	gold
Cobalt Blue	COB		pullback	cobalt
Comet Resources	CRL		breached uptrend	graphite/graphene
Consolidated Zinc	CZL		continuing weakness	zinc
Corizon Mining	CZN		testing downtrend	cobalt
Crusader Resources	CAS		new low	gold/iron ore
Dacian Gold	DCN		back to highs	gold exploration
Danakali	DNK		sideways under resistance line	potash
Doray Minerals	DRM		testing new uptrend	gold
Draig Resources	DRG		testing uptrend	gold
Eden Innovations	EDE		down	carbon nanotubes in concrete
Egan Street Resources	EGA		sideways	gold
Emerald Resource	EMR		gently down	gold
Evolution Mining	EVN		new high	gold
Excelsior Gold	EXG		slump, testing uptrend	gold
Finders Resources	FND		sideways through support line	copper
FAR	FAR		sideways	oil/gas
First Cobalt	FCC		breached steepest downtrend	cobalt
First Graphene	FGR		strong rise	graphite
Frontier Diamonds	FDX		down after IPO	diamonds
Fortescue Metals	FMG		downtrend	iron ore
Galaxy Resources	GXY		new downtrend	lithium
Galilee Energy	GLL		new high	oil and gas, CBM
Gascoyne Resources	GCY		testing steeper downtrend	gold
Global Geoscience	GSC		new high	lithium
Gold Road	GOR		new high	gold exploration
Golden Rim	GMR		down	gold exploration
Graphex Mining	GPX		breaching downtrend	graphite
Heron Resources	HRR		testing downtrend	zinc
Highfield Resources	HFR		long term downtrend	potash
Highlands Pacific	HIG		breached uptrend	copper, nickel
Hillgrove Resources	HGO		sideways	copper
Iluka Resources	ILU		new high	mineral sands
Image Resources	IMA		down	mineral sands
Independence Group	IGO		rallied to new high	gold, nickel
Jervois Mining	JVR		downtrend	nickel/cobalt
Karoo Gas	KAR		testing new uptrend	gas
Kasbah Resources	KAS		still in LT downtrend	tin
Kibaran Resources	KNL		new low	graphite
Kin Mining	KIN		down heavily	gold
Legend Mining	LEG		falling to support line	exploration
Lepidico	LPD		back to near highs	lithium
Lithium Australia	LIT		breached uptrend	lithium
Lucapa Diamond	LOM		forming a base	diamonds
Macphersons Res.	MRP		down	silver
Marmota	MEU		down	gold exploration
MetalsX	MLX		breached uptrend, then a rally	tin, nickel
Metro Mining	MMI		at highs	bauxite
Mincor Resources	MCR		breached uptrend	nickel
Mineral Deposits	MDL		uptrend steepening	mineral sands
Myanmar Minerals	MYL		downtrend	zinc
MZI Resources	MZI		testing downtrend	mineral sands

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Northern Cobalt	N27		breached downtrend	cobalt
Northern Minerals	NTU		down again	REE
Northern Star Res.	NST		new high	gold
NTM Gold	NTM		sideways	gold
Oceana Gold	OGC		testing downtrend	gold
Oklo Resources	OKU		in a rising wedge	gold expl.
Orecorp	ORR		breached recent uptrend	gold development
Orinoco Gold	OGX		steep uptrend	gold development
Orocobre	ORE		looks like it wants to go down	lithium
Oz Minerals	OZL		continuing in uptrend	copper
Pacific American Coal	PAK		heavy correction	coal, graphene
Pantoro	PNR		new high	gold
Panoramic Res	PAN		on support line	nickel
Peel Mining	PEX		surge to new high, then pullback	copper
Peninsula Energy	PEN		back in downtrend	uranium
Perseus Mining	PRU		breached downtrend	gold
Pilbara Minerals	PLS		breached uptrend	lithium/tantalum
PNX Metals	PNX		sideways	gold, silver, zinc
Red River Resources	RVR		holding longer term uptrend	zinc
Regis Resources	RRL		new high	gold
Resolute Mining	RSG		sideways	gold
RIO	RIO		back to highs	diversified
Salt Lake Potash	SO4		less steep downtrend	potash
Saracen Minerals	SAR		recapturing uptrend	gold
St Barbara	SBM		strong	gold
Sandfire Resources	SFR		rising	copper
Santana Minerals	SMI		new low	silver
Santos	STO		correcting lower	oil/gas
Sheffield Resources	SFX		sideways	mineral sands
Silver Lake Resources	SLR		breached downtrend	gold
Sino Gas & Energy	SEH		confirming uptrend	gas
Southern Gold	SAU		drifting lower	gold
Stanmore Coal	SMR		rising	coal
Sundance Energy	SEA		slump	oil/gas
Syrah Resources	SYR		rallying a little	graphite
Talga Resources	TLG		breaching resistance line	graphene
Tanami Gold	TAM		down	gold
Tempo Australia	TPP		testing downtrend	mining services
Tiger Realm	TIG		spiked higher, off lows	coal
Torian Resources	TNR		testing downtrend	gold expl'n
Triton Minerals	TON		uptrend being tested	graphite
Troy Resources	TRY		back in downtrend	gold
Tyranna Resources	TYX		breached steepest downtrend	gold exploration
Vango Mining	VAN		testing downtrend	gold
Vector Resources	VEC		breaching uptrend	gold
Vimy Resources	VMY		sideways through uptrend	uranium
West African Resources	WAF		uptrend	gold
Westwits	WWI		sideways	gold exploration/development
Western Areas	WSA		rallying	nickel
White Rock Minerals	WRM		new low	silver
Whitehaven Coal	WHC		gently higher	coal
WPG Resources	WPG		up	gold
Wolf Minerals	WLF		new low	tungsten
Totals	34%	49	Uptrend	

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	33%	47	Downtrend	
		143	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	34	23.8%
Gold Exploration	15	10.5%
Copper	10	7.0%
Coal	8	5.6%
Oil/Gas	8	5.6%
Graphite	8	5.6%
Mineral Sands	7	4.9%
Cobalt	7	4.9%
Zinc	6	4.2%
Lithium	6	4.2%
Silver	5	3.5%
Nickel	5	3.5%
Potash/Phosphate	5	3.5%
Uranium	3	2.1%
Bauxite	2	1.4%
Tin	3	2.1%
Diamonds	3	2.1%
Iron Ore	1	0.7%
Other	7	
Total	143	

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Cobalt Blue, First Graphene, Lucapa Diamond Company, Orinoco Gold 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.

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