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HD **COMMODITY DEMAND SET TO RISE BUT PRICES WON'T**

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The market cycle is about to start all over again

ANALYSTS are giving with one hand and taking away with the other.

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Commodity demand is set to pick up. But prices won't because, essentially, the world's mines will pretty well be able to supply all that is needed.

Citigroup's metals and **mining** team in London say they're bullish, for the first time in three years, that the markets have moved through the five stages of grief (starting with denial, anger, bargaining, depression) and have now reached the final stage of acceptance. Time to start the cycle all over again. But, Citi adds quickly, it is forecasting a flat commodity price environment.

Flat is an understatement. How about their forecast of an average **copper** price this year of $US6550 a tonne? Or zinc at $US1860/tonne?

``Supplies are outweighing demand,'' says Copenhagen-based Danske Bank. The bank's 2014 average price forecast is $US7228 a tonne for **copper**, $US1985/tonne for zinc and $US14,125/tonne for nickel. Hold the champagne.

The Commonwealth Bank team cited a particular case of new production in the mineral sands sector. It noted the quarterly from Iluka Resources (ILU), which, while still suffering from depressed demand, did report higher sales. Demand looked to lift, CBA said, but markets were well supplied. Base Resources (BSE) is now getting into production in Kenya while expansion is under way at a huge mine in Sierra Leone.

Foster Stockbroking, though, put a trading buy on Iluka, noting the higher sales and the **company** pointing to a demand recovery in 2014, sufficient for what it sees as a ``material re-rating'' of the share price.

Punters unfazed

WHILE we might have been through a rough time with the juniors, and many investors have walked away (especially from the penny stocks), some punters are still at it, to judge by ASX query letters. Burleson **Energy** (BUR) copped a speeding ticket when its shares went from 1.1c to 1.8c (Burleson thought it might be because US natural gas prices have spiked). AusTex **Oil** (AOK) was queried after its stock rose from 14.5c to 19.5c (it could have been a mention on one stock-picking website, the **company** ventured).

Frontier Resources (FNT) had no idea why its stock went from 0.7c to 1.3c but Buxton Resources (BUX) pulled the plug itself, requesting a trading halt after its stock rose on one day from 1.7c to 2.1c. As it later notified the ASX, that spike happened on January 10 but it was not till two days later that Buxton received exploration results from its graphite project. A lucky guess by someone?

Tin shortage looms

STOCKS of tin at London Metal Exchange warehouses are at a two-year low and one of China's largest tin smelters is closed for five weeks' maintenance.

The price at the LME tested $US22,600 a tonne on Thursday. Not quite as spectacular as nickel, up 10 per cent in eight days due to the Indonesian export ban, but that could be temporary. The looming tin shortage, by contrast, is not going away.

Not surprising, then, that Trafford Resources (TRF) saw a leap in traded volume on news of tin intersections west of Whyalla. It reported 12.3m at 1.1 per cent tin with 1.3m at 4.8 per cent, and the company added it was confident it had a significant, near-surface high grade tin deposit.

Trafford helpfully compared its intersections with the 14.6 million tonne resource in Morocco owned by Kasbah Resources (KAS): ``Recent intercepts reported by Kasbah Resources are lower grade than those reported here by Trafford.'' Yes, but Kasbah's Achmmach project has the critical word ``advanced'' attached to it and looks like being the world's next new tin mine.

Also, Japan's Nittetsu Mining thought it worth paying $7.5m for just a 5 per cent slice of the action.

Meanwhile, Stellar Resources (SRZ) is attracting European attention to its Heemskirk tin project in Tasmania which will, according to the pre-feasibility study, produce 4327 tonnes of tin a year, or 1.5 per cent of global mine supply. A private Luxembourg company last week took a $2.6m placement. Last year, a German private investor bought 18.4 per cent of the junior when fellow tin hopeful Gippsland (GIP) sold down its stake.

Where fools tread

EVERYONE'S a pundit these days, it seems. Take your pick from hundreds of (especially US-based) websites advising you how to make a quick buck on trading junior miners.

But there's always some sensible advice somewhere. Brent Cook gained his geology degree from the Utah State University in 1978, has been a consultant to some big North American miners and now figures on cable business shows. One point he makes is that the mining sector's poor returns, especially for those who bought in during the commodities boom, makes it difficult to see many investors stepping up to the plate one more time. In other words, wade in but others may not follow.

Unless there is a significant rise in metal prices, mining companies will continue to cut staff, projects, exploration and development. Those miners will be forced by low prices to process only higher grades, rendering as waste the lower-grade rock that now makes up part of the total resource.

Cook adds: ``It also means we are unlikely to see a buying binge by the miners because they are in the unenviable position of proving that mining their current deposits is a viable business. Good luck on that one!''

Beware of companies that have changed their focus while chasing the next hot story. ``Although money can be made on these ambulance chasers, one must be more nimble than the founders --who have usually run these flash in the pan stock jobs through many cycles,'' Cook says.

And this: small mines, restarts, and reprocessing of tailings usually don't work. Everything that can go wrong with a big mine can happen to a small one; but they are usually undercapitalised, with no room for error.

``Oh, and if someone claims 10 million ounces out of nowhere (with potentially 90 million more) you may want to take a look at how that happened.''

Better, perhaps, to take a long-term view. As Cook points out, the world's mining companies last year failed to discover new deposits replacing anywhere near what they pulled out of the ground -- which, in 2013, totalled 2500 tonnes of gold, 7.4 million ounces of platinum and 18 million tonnes of copper.

Crunch-time gets closer.

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