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HD **MARKET DRIVEN BY GLOOM**

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RESOURCE investors face "ominous precursors" that could shape what happens in 2015.

So said Deutsche Bank on Friday, following up on a Tuesday note on shrinking liquidity around the world. Deutsche's worry list includes the Russian rouble's seemingly unstoppable sell-off, the upcoming Greek elections with domestic stock and bond markets being punished, deflation in France becoming official, and the oil price.

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Copper closed on Friday at $US6490 a tonne. Deutsche sees $US6280 as marking the best near-term support. The bank's analysts see aluminium falling to $US1928/tonne (against Friday's close of $US1936).

So we're seeing the base metals continue in the doldrums, any gold rally being short-lived, and now the pain seems to be spreading to the minor metals with Chinese prices for antimony, indium, bismuth and tungsten taking some heavy blows. The uranium recovery didn't last long, with spot now at $US37.75 a pound after its recent move to $US44 gave what turned out to be fleeting hope to the yellowcake hopefuls.

Meanwhile, Warwick Grigor at Far East Capital warns juniors against any effort to rattle the tin. "The mere suggestion of the possibility of a raising will send investors running away in panic," he told clients on Friday. Moreover, any positive news will be seen as a providing a liquidity event and an opportunity to reduce exposure. Value for most investors today is a foreign concept and no amount of rational talk will sway them.

"Emotion, not rational analysis, is driving the markets," says Grigor. "The dominant emotion today is depression." As if to underline Grigor's warning, we saw graphite hopeful Metals of Africa (MTA) announce it was going ahead with the acquisition of its Mozambique project. Result: shares dived 37.9 per cent. Yet also underscoring the market's unpredictability was Parmelia Resources (PML) saying electromagnetic work — not drilling, mind — had found signs of mineralisation at its Dunnsville nickel project — and up went the shares 23.7 per cent.

Where are they now?

EVERY so often one is reminded of the transitory nature of the resources sector, of how soon so many great exploration stories are forgotten and replaced by a new batch of similarly impermanent ones.

Just over 10 years ago in this newspaper your correspondent reported on the then latest gold book from Perth brokers Hartleys listing their choices of best buys.

Of the 20 firms listed with various grades of recommendation, some have disappeared, others have changed their names, and still others have come up with new stories. But this is not just an idle trip down memory lane; Pure Speculation strives to spread junior coverage as widely as possible so the old clipping gave us a nudge to catch up with yesterday's stars.

AusQuest (AQD) is still with us, exploring and last trading at 0.8c. De Grey Mining (DEG) was seen by Hartleys as having the potential for a significant find. Well, that's been De Grey's story since it listed in 2002; it's just that the promising projects keep changing. This junior last traded at 0.2c.

Giants Reef Mining came to grief with gold in the Northern Territory and is now Firestone Energy (FSE) pursuing coal in South Africa, its shares now trading at just 0.5c. Metex Resources, which in 2004 was apparently finalising its goldmine plan, is now Carbon Energy (CNX) and dreaming of underground coal gasification. Bullion Minerals, as was, in 2006 became Uranium Equities (UEQ) although gold would go on to perform rather better than yellowcake. UEQ now trades at 0.7c. Wedgetail Exploration in 2004 had a gold resource of 500,000 ounces. It is now Millennium Minerals (MOY) but still true to the yellow metal, producing 18,127oz in the September quarter at an all-in cash cost of $1197/oz — and therefore no doubt grateful for the decline of the Aussie dollar making the gold price around $1480/oz in the local currency.

Several have been taken over, others rebuilt on the embers of less fortunate players. Kalgoorlie gold miner Croesus Mining was rebirthed as Sirius Resources (SIR), now a nickel legend in its own lifetime with a share price of $2.37, very respectable in the present climate. Of the class of 2004, the only real survivor in the same form has been gold miner Resolute Mining (RSG) — still with the same projects and keeping on keeping on to the tune of 67,082oz produced in the September quarter from Mali and Queensland.

You just don't know, do you?

Losers win in Canada THOSE who bewail Australia's growing taste for taxing success and subsidising failure (dare we mention the car industry?) should be thankful that Canberra has not gone down the Canadian path.

According to the Toronto-based Fraser Institute (known here mainly for their annual mining jurisdictions ranking), money from Ottawa has given Nova Scotia and New Brunswick provinces the ability to snub their noses at the resources sector and, says the institute, consequently not generate prosperity for their residents. Canada's federal equalisation program (or "crutch" as the report calls it) takes money from the better off provinces and hands it to the — how to put it? — loser ones.

In the latest year New Brunswick received $C14.5 billion and Nova Scotia $C12.9bn. Both provinces have now been able to impose a moratorium on fracking, New Brunswick closing off its known 15 trillion cubic feet of known shale gas reserves.

And where did most of the crutch money come from? From Saskatchewan, which is developing its resources industry as fast as it can. This province has an annual household income of $C44,288 ($46,354) while the two main recipients have household averages around $C37,000.

That is equivalent to Western Australia parcelling up several billion and sending it across Bass Strait so let's hope this doesn't give Tasmania (and Jacqui Lambie in particular) any ideas.

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