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HD **STRANGE DAYS WHEN ALL THAT SHINES FAILS TO SPARKLE**

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But other sections of the market are looking better

IT'S hard to know what to make of this market, what with all the conflicting shreds of evidence.

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Gold has lost all its April gains with futures closing at $US1293 an ounce, and there's a general feeling that the yellow one will struggle this week. Silver is facing heavy weather, back under $US20 and ounce. Analysts try to be cheerful about **copper**, down 5 per cent since February, but Thursday's close at $US6649 a tonne is not the sort of news red-metal producers want to hear.

Some sectors are somewhat more encouraging — fertiliser minerals, for example (of which, more below). And then there's nickel, thanks to Indonesia's export ban, ending the week at the London Metal Exchange on a relatively hearty $US17,925/tonne — "relatively", that is, compared with the $US50,000/tonne nickel fetched pre-GFC.

Nickel is up 20 per cent since February and Copenhagen-based Danske Bank says the rally is not yet over. Analyst Jens Naervig Pedersen believes Jakarta will stick to its export ban unless the Indonesian economy suffers a significant setback. Russia supplies 10 per cent of world nickel and Pedersen says the world will continue to worry for some months whether those nickel exports might be hit by Ukraine sanctions. US and European recoveries will add demand pressure for the metal. And then **China** might put up its hand for more.

A few months ago it seemed the window was closing for juniors refreshing their cash supplies but now tin-rattling is back. Argentina **Mining** (AVK) is seeking $1.18 **million** for **gold** exploration which, notwithstanding the **company** name, is in Tanzania. Gunson Resources (GUN), its Coburn mineral-sands project having remained in the "promising" category for a very long time (in 2004 they were promising mineral samples from test work for customers by the end of that year), wants $1.23m to keep the place running. Orion **Gold** (ORN) has commitments totalling $1.5m, which indicates the Fraser Range remains appealing to investors as a new nickel province thanks to the big 2012 discovery by Sirius Resources (SIR). And Regal Resources (RER) will bank $2m towards its Congolese **copper** project.

Tony Locantro, editor of the speculative newsletter Locantro's Life and regularly looking for bright news in the junior sector (but not always finding it), says there are bargains. While "momentum" stocks have corrected recently, there are still juniors trading below their intrinsic value. One such is Victorian **gold** producer Octagonal Resources (ORS) which, says Locantro, you can buy for half the replacement value of its **gold** plant.

He sees the $100m raising by Acorn Capital for a new small-**company** fund as possibly providing some much-needed support to the junior sector. He was also greatly cheered by the market reaction this month to the news that Cassini Resources (CZI) was buying nickel tenements from BHP Billiton (BHP) — news that sent the junior's stock from 4.5c to a intra-day high of 26c. Locantro says this suggests greed is alive and kicking.

Peter Strachan, who runs StockAnalysis out of Perth, has also been following the resurgence of nickel stocks. He notes it is often the case in a beaten-down market that prices can recover by 30 per cent before the general public realises a new bull market is evolving. He argues we may be seeing some rotation out of tech stocks and into the battered resources sector, initially into the larger companies but then filtering down to the developers, explorers and — eventually — new floats.

Over at Canaccord Genuity, Warwick Grigor is on the same wavelength. He thinks a stumble by industrial and e-commerce stocks may be a prerequisite for funds to flow back into resources. The e-commerce stocks have lured punters away from **mining** shares. “Parallels can be drawn with the early 2000s, when smokestack industries were pariahs as everyone sought internet stocks,” he told clients.

Punt on potash BHP Billiton (BHP) might be treading more cautiously over its Jansen potash project in Saskatchewan, aiming at somewhere in the mid-2020s rather than later this decade for a ramp-up, but others are pressing ahead with fertiliser minerals. Potash prices seem to have stabilised (around $US300/tonne for three successive months) while diammonium phosphate being shipped out of Florida has seen a price spurt and is now fetching $US500/tonne.

Foster Stockbroking has deemed Highfield Resources (HFR) a spec buy, seeing the explorer’s Spanish potash ground as “getting set to run with the bulls”. HFR’s largest shareholder is private **equity** specialist EMR Capital, which is very supportive of the **company**. Foster sees Highfield as one of the cheapest producers delivering potash into the Brazilian powerhouse agricultural market, a country which still needs to import 90 per cent of this fertiliser mineral. Thailand is another global agriculture major with the need to import most of its potash. FYI Resources (FYI) has already staked out a project there and has now added more ground. Thailand is thought by some to have huge potash resources, possibly the third largest in the world (after Russia and Canada). That should be seen against the country’s position: it is the world’s No 1 exporter of rice, and 49 per cent of Thai workers earn their living from agriculture.

From west to east THE latest **gold** survey by London-based Thomson Reuters GFMS notes that last year the rise of Eastern demand and the withdrawal of Western institutional investors witnessed a large increase in the amount of bullion shipped around the world. Those transfers rose 25 per cent over 2012 to a new record in value terms of $US234 **billion**. It might have been greater but for the fact Swiss and other refineries were hard-pressed to meet all the orders because this involved melting down 400-ounce London Good Delivery Bars and producing smaller investment ones.

Chinese investors last year bought 45 per cent more **gold** in bar form (360 tonnes in all) than in 2012. As GFMS summed up: “**China** snapped up all the material that the Western investment fraternity could throw at it”.

Local **gold** companies are, rightly, pressing on and sounding bullish. Leyshon Resources (LRL) is looking to dust off the old Mt Leyshon mine; Commissioners **Gold** (CGU), with Peru under control, is looking at historic **mining** areas at Grenfell, NSW; Alchemy Resources (ALY) has reported grades up to 14.46 grams/tonne north of Meekatharra, while Millennium Minerals (MOY) is celebrating a record **gold** pour in the March quarter.

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