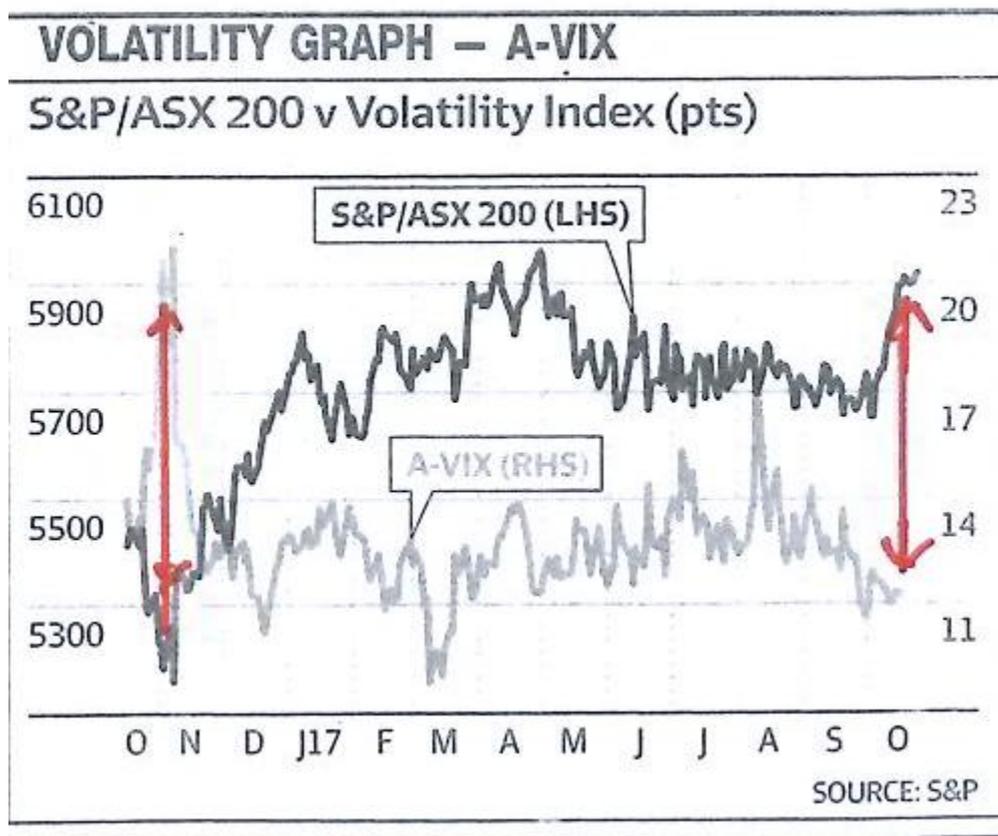




So far so good but still nervous

We dodged the traditional October correction, and missed the buying opportunities...for now!



To emphasise my concern you need to refer to the above Volatility Index chart.

You will note that the ASX 200 is now at the top of the range, the VIX at a low of about 11, and as can be seen in November last year, the two indicators were completely reversed. Once again the Trump Bump may save us but it is something all should be watching, if in fact you want to buy or trade during this potential, or as some would say, inevitable period. Long Term holders merely need to watch from the sidelines, buy call options or sell covered call options over their Blue Chip stocks to earn an income.

Trump needs to be covering his backside at the moment claiming credit for the rise of the Dow because his critics will be ready to cane him if it corrects in any material way.

Also once again we are talking about Index stocks that have had a very good run, not resource stocks other than some of the majors who have had considerable support in recent months.

However the interest in resource stocks is increasing, capital raising for juniors is also improving, with the funds raised being used for exploration for the first time in about 3-4 years.

Hedley Widdup of the Lion Selection group is followed by numerous commentators and is an astute long term investor in resources stocks, but particularly junior resource stocks, and recently stated:

S&P Global Market Intelligence said nonferrous exploration in Australia was showing encouraging signs of recovery so far this year, with financings in the March quarter jumped by 128% to US\$634.4 million.

Although exploration budgets fell by 16% year-on-year, Australia remained the world's second-largest nonferrous exploration destination (behind Canada) with a reported budget of nearly \$900 million, or 13% of the global total.

Despite the drop in reported budgets, drilling activity surged, reaching the highest level since at least 2014, with gold remaining the most-targeted commodity, but specialty metals making up a larger portion of the total.

Northern Star Resources executive chairman Bill Beament told RRS yesterday that drill rigs were becoming harder to get, also showing signs of a pick-up.

Still, Widdup warned that the lack of exploration during 2011-15 would come at a cost.

"There's an enormous hole in the project development pipeline," he said.

"Which means the current boom could be longer and steeper than what we've seen previously, due to this capital strike."

"We now have a situation where there's been no exploration, the pipeline is absolutely depleted, balance sheets are burning a hole in people's pockets and companies are starting to look over their shoulder," Widdup said.

"One of the next stages of the cycle for us is M&A, particularly in the gold space."

"[The juniors] aren't just discounted on earnings, they're discounted on the gold price."

Of course Lithium and Cobalt still retain the interest of traders as does Marijuana and Bitcoin, and to a lesser degree Graphite now days. In recent weeks we have had a number of off the street enquires, do we trade in Bitcoin , Marijuana and Lithium stocks. I just discovered our local Newsagent sells Bitcoin !!

If you want to trade or buy Bitcoins (BTCUSD US\$6373) please read the history of the Tulip Mania to add some context to the dialogue. <https://www.focus-economics.com/blog/tulip-mania-dutch-market-bubble>

The next hurdle for the USA is the 15th December when the Government has to once again approve funding or suffer a Shutdown where the Government does not have enough funds to pay employees etc.

For those interested in the US Debt clock and its components, I refer you to: <http://www.usdebtclock.org> extremely interesting with a number of other interesting sources of data.

Global debt and in particular the USA, China, Japan and Europe is a very concerning factor and we can only hope they can walk their way out over many years, otherwise the risk of a defaulting nation will bring about something I would prefer not to go into. But Gold will definitely be the winner.

Below is the chart of the ASX 200 which shows it has broken out from its previous sideways trading range into positive territory which was unexpected, well at least until after the correction. But we will take the extended run up for our client's portfolios.



Iron Ore is under pressure at US\$59 from the Winter and seasonal issues, and hopefully that is all it is, as China has been importing more iron ore than in previous years, and is now moving to better imported quality Iron ore (Australian), having reduced using their own low quality ore with impurities which add to the smog and air quality, and closed down inefficient steel mills.

Gold is still US\$1276 (A\$1663) and volatile but will eventually take the lead as the most popular metal as Global issues raise their head and potential issues in the USA arise including a lower \$US.

Copper has had a great run and of course is considered the Leading Indicator of a global increase in activity. Nickel has had its day in the Sun as has Zinc, but with more ups and downs.



Oil is gaining pace at least in the Brent Pricing (US61) as a result of the Saudi and Russian agreement to control supplyfor now. Of course as previously stated this is just a vacuum sucking cash out of non producing counties pockets and into producing nations pockets, and countries who are not particularly friendly to the USA or Australia.

North Korea is still the lead problem globally, but now that Xi Jin Ping has been returned with greater powers as the leader of China, we must now see whether the Chinese and the USA really do have a detente, or China has been waiting to get their 5 year Congress out of the way before exerting their influence globally. China would prefer to just keep taking more areas such as the South China Sea and increasing the military and navy by stealth, but I suspect Trump and Madis may be prepared to send another message. So we will have a trade war or a Nuclear war on the Korean peninsula with the resultant destruction with unforgivable loss of innocent lives.

The good news is that it appears from numbers produced by Governments that the world appears to be on a simultaneous increase in GDP and production?? Japan certainly seems to be improving and India is the hidden and silent playerbut China and their 'One Belt One Road' appears to be the big Plus for Australia with the potential for increase demand in commodities.

Interest rates will determine where all this goes and how courageous Central Banks will be to increase interest rates, bringing about considerable concern in the Stock Market and Property market as to how high, and how fast will it be implemented.

Let's hope they can all get along, play nicely and we are heading into a Boom Economic period and not a war.

Trump seems to be reigning in his attitude and restraining his emotions better, that is just the thing to deprive the left of oxygen and their criticism..... and of course will drive them insane.

MORE THEN EVER:



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