



FINANCIAL SENSE WRAPUP

with Frank Barbera

Today's Market WrapUp 04.15.2008

Revisiting Some Radioactive Ideas:

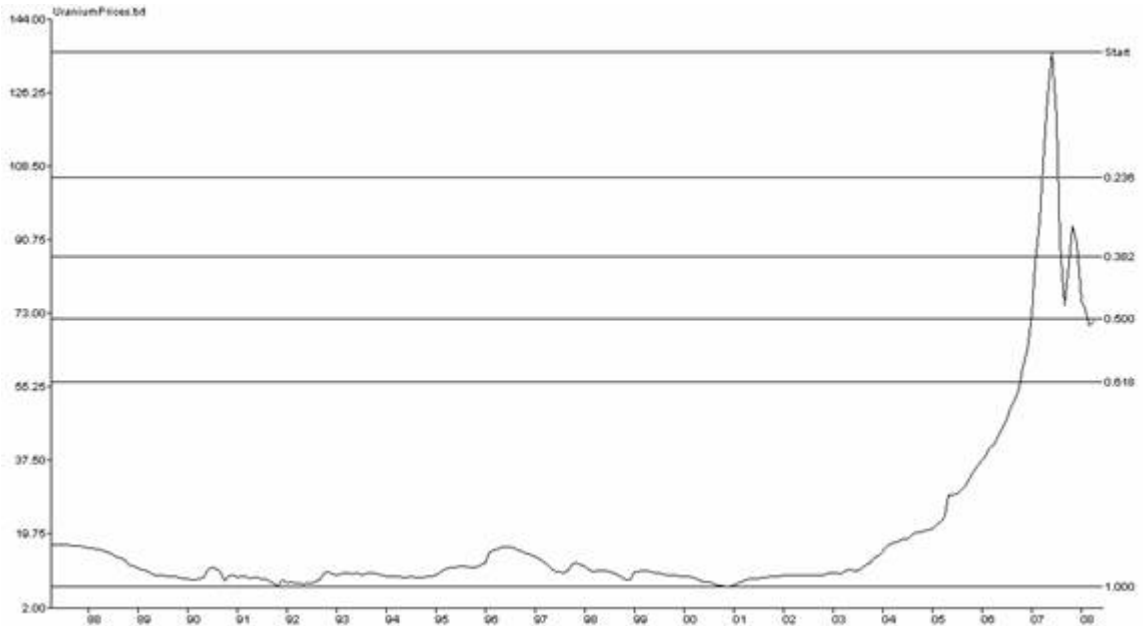
What's next for U308? - Part II

BY FRANK BARBERA, CMT

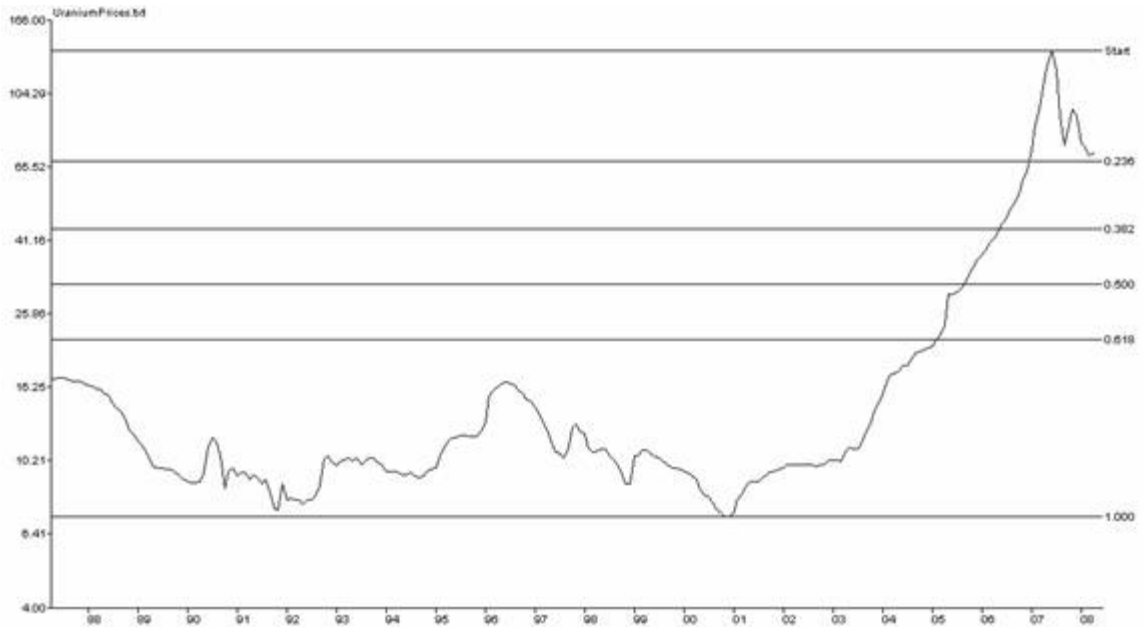
While we all know that China is ascending as the world's premiere growth economy, with GDP growth rates scaling low double digits, the forward view for China has many serious concerns. Within China today, Oil and Natural Gas supplies are running low, with China now the second largest imported of Crude Oil behind the United States. For China, a decade of rapid fire industrialization and urbanization is threatening rolling blackouts and flicking factory lights. All over the country, old style coal fired power plants belch pollution on a scale seen almost nowhere else in the world. Last year, China became a net importer of coal for the first time. For the world's most populated nation, 16 of 20 major cities top the list of the world's most polluted.

To attempt to combat what seems like a looming environmental catastrophe, China's leadership is reaching out to employ as much alternative energy as possible. Within this realm, no alternative is more front and center than nuclear energy, with China's leaders traveling the world to arrange contracts for nuclear reactors, technology and fuel. As things presently stand, China has already announced plans to construct 30 nuclear power plants committing over 60 billion dollars with a goal of having much of this power on line by 2020. With China, a team of leading scientists have suggested that by 2050, the People's Republic will require nearly 300 gigawatts of nuclear power, a figure which could entail as many as 200 power plants dotting the landscape. While many of these may end up being large scale Western style power stations, China is also considering the potential for building a large number of smaller so called, pebble-bed reactors, which owing to their unique physics do not have the same potential for a Chernobyl or Three Mile Island fiasco. These small scale power plants have not been seen by western eyes, but are said to use a bath of inert Helium to cool the uranium, with total generation of 10 megawatts, enough for a small town.

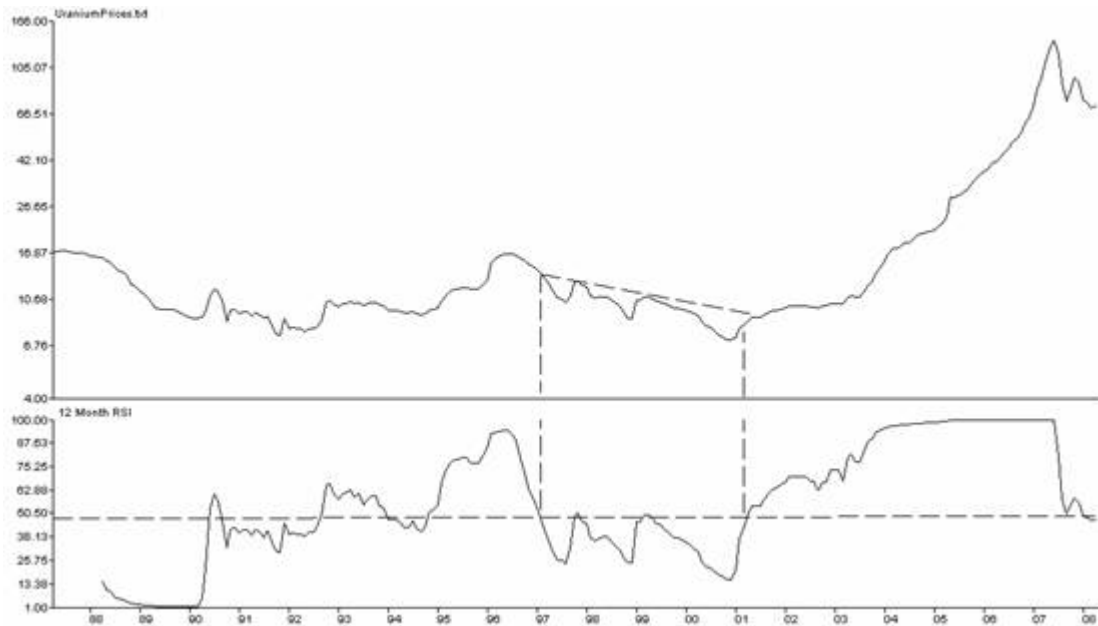
We ponder the outlook for China because, when it comes to long term demand of Uranium, it is now believed that China's future demand for the radio-active metal could well easily equal the current demand seen by the entire rest of the world combined. Already, over just the last few years, the emergence of Chinese Uranium demand has forced the price of U308 from a low near \$6 per pound to a high last June just over \$135 per pound. In our view, while Uranium prices have now corrected the initial advance, chances are high that over time the huge demand from developing nations for power hungry industries will continue to sustain and support even higher prices. Thus, the general view of Uranium is that of a secular bull market, with global demand exceeding global supply for years to come. On the charts, the correction in U308 when viewed on an arithmetic scale shows up as a rather normal 50% bull market retracement while on the more important logarithmic chart, we see less than a .25% correction. Using a Fibonacci retracement, the pull back to date has been a minimal .236 fibonacci retracement which is highly indicative of a strong upward underlying trend.



Above: long-term monthly chart U308 has now retraced 50% of the prior 2000-2007 advance (linear-arithmetic scale).



Above: U308 on a semi-log scale with Fibonacci logarithmic retracement, only a .236 modest Fibonacci retracement.

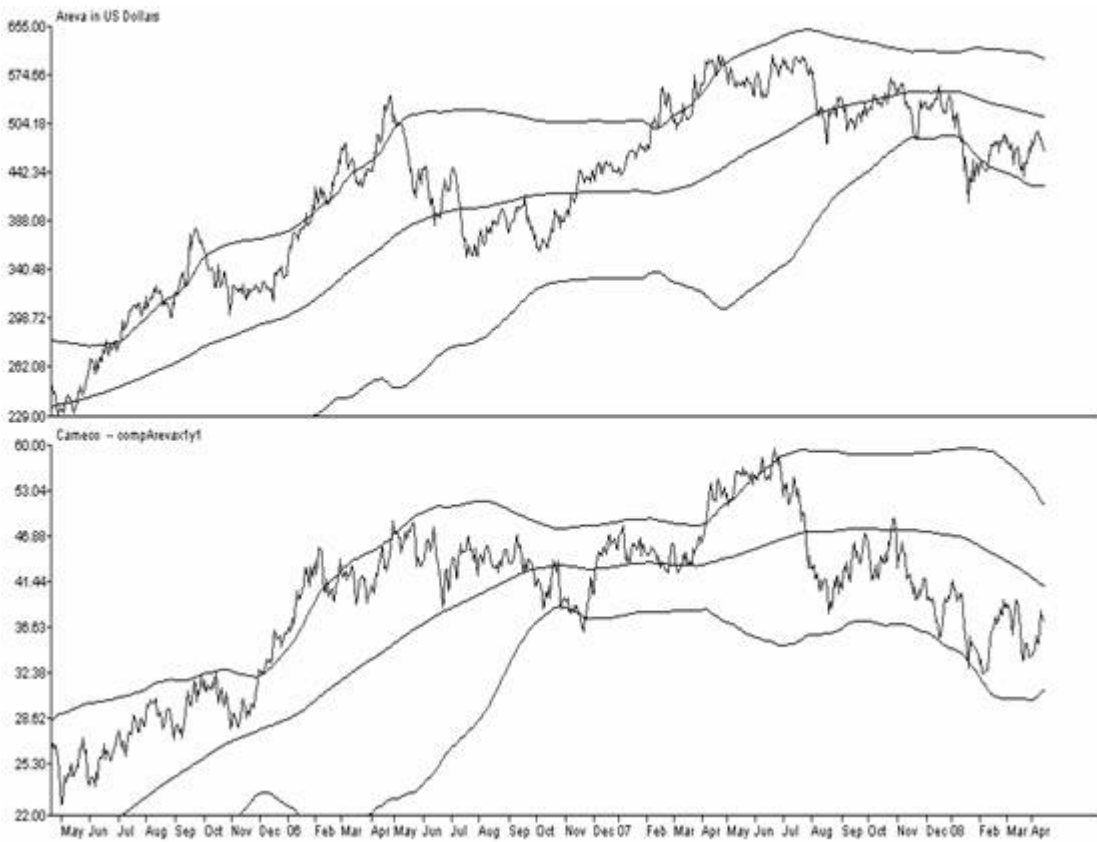


While the market for Uranium prices has been ‘thin’ to say the least, and to that end, much technical analysis hasn’t mattered as much as it would with a more actively traded commodity, with the pull back in U308 over these last few months we see that the 12 month RSI for U308 has now retraced back to the neutral 50 level. This is precisely the kind of routine correction which would be considered normal within the confines of a continuing bull market advance. In our view, we believe that prices are likely to stage a recovery rally in the months ahead, possibly moving back up to retest resistance at the former highs in the low \$100 dollar range. It may even be a year or two, perhaps during the next synchronized global economic recovery, before U308 breaks out cleanly to new highs, but new highs likely lie ahead before this decade is out.

So how can US investors potentially play a continued boom in Uranium prices and nuclear energy in general? As always, several approaches present themselves. For those who want somewhat steadier growth less tied to the violent swings of Uranium Miners, which tend to swing widely with the price of Uranium, engineering companies can be one approach. For US investors, the Shaw Group (SGR) is perhaps the best establish power plant contractor with a partnership in place with Westinghouse Electric, a major contractor for the Chinese. Shaw Group is also hard at work on a number of US power generation projects and has a stable maintenance business servicing a number of nuclear plants here in the USA. Fundamentally, Shaw Group currently sports a .92 PEG Ratio and a .71 Price to Sales Ratio with a 14.88 Trailing P/E and a 25% estimated five year growth rate. On the chart below, we plot the daily bars for Shaw Group overlaid against one of the U308 mining leaders, Cameco Corp. (CCJ). As can be seen on the chart, while shares of Cameco are quite volatile, Shaw Group tends to trade directionally with CCJ, but with somewhat less amplified swings.



Above: Shaw Group (thick) versus Cameco (thin)



Above: Areva of France (converted to US Dollars) and Cameco (CCJ) of Canada

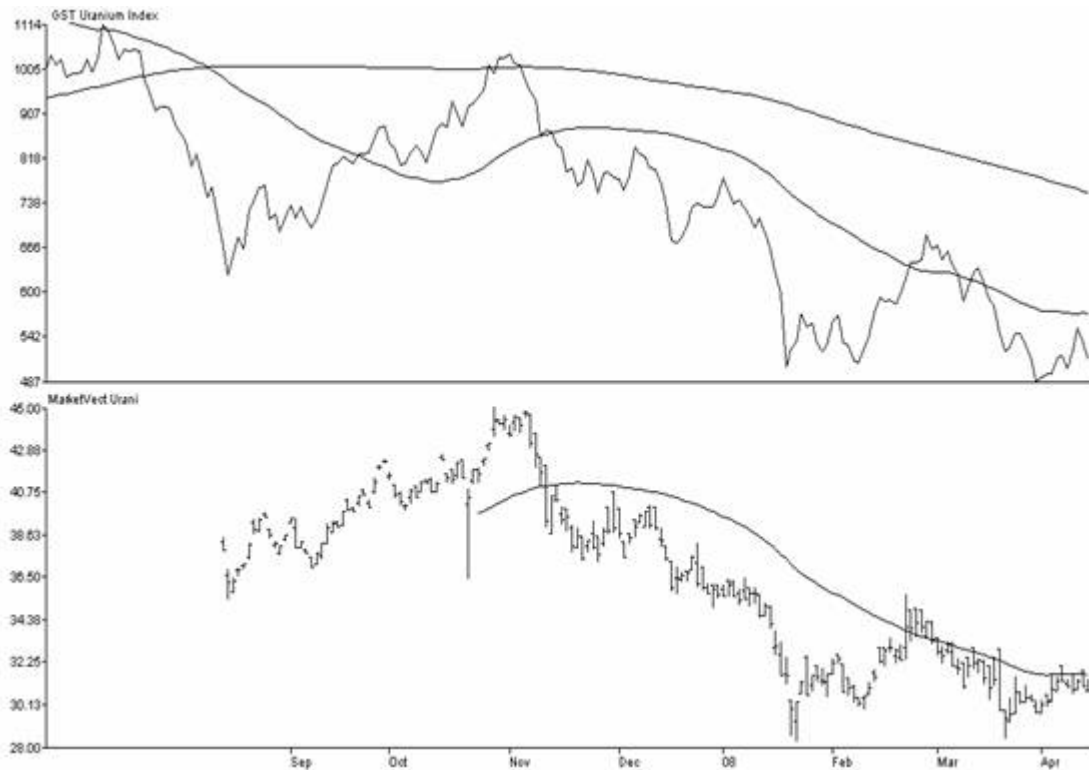
Aside from a few scant engineering plays, the larger proposition available for US investors are the U308 miners, which include majors such as Cameco (CCJ) on the NYSE and Areva Ltd(CEI-Paris), which trades on the Paris Bourse.

From Reuters Nov. 2007

France's Areva seals record \$11 bln China deal

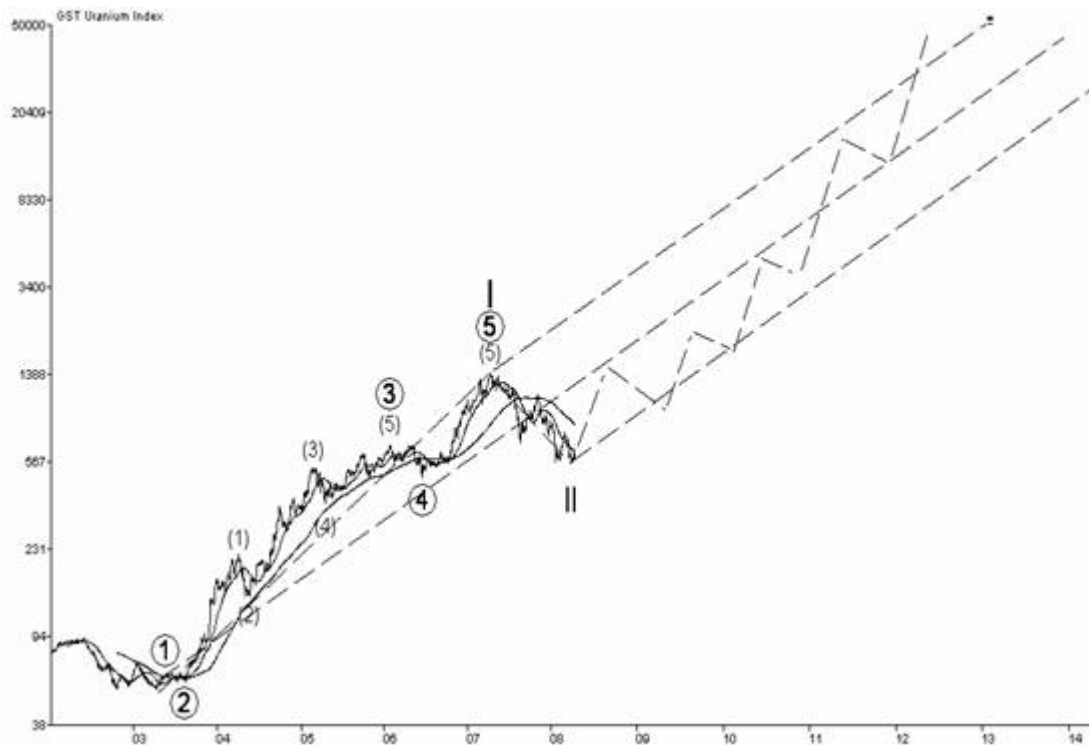
SURPRISE! A year ago Areva appeared in danger of losing out on China's nuclear rush, when U.S.-based Westinghouse Electric, now owned by Japan's Toshiba Corp, won a two year battle for a contract to build four "third generation" reactors, which are promoted as safer and more efficient than current ones. But Beijing later surprised both sides by expanding the original tender to six plants from four, giving the French company a fresh chance at pitching its new European pressurized reactors to China, where it has long had a presence. In return for the flow of funds to France, the firm is transferring its technology -- a key demand Beijing also made of Westinghouse -- through a consortium they are setting up with their Chinese partner, Lauvergeon said. The announcement was part of a raft of deals agreed during Nicolas Sarkozy's first visit to China as president of France, which included a framework pact to sell 160 Airbus planes, the planemaker's largest order to date. Sarkozy has pressed Beijing to help curtail Iran's nuclear plans. But a brace of deals announced during his visit showed France is eager to court China's own atomic power sector. Areva and the China National Nuclear Corp agreed to study whether to build a spent nuclear fuel reprocessing-recycling plant in China that could be worth 15 billion euros and to create a joint venture in zirconium.

In recent months, Areva, considered one of the best pure play investments for Uranium, is a monster engineering and construction giant, and a leader in nuclear fuel fabrication. As can be seen on the next chart, Areva trades in very similar price patterns to Cameco (CCJ) and fortunately, for US investors, is now a leading component (3.4%) for the DAX Nuclear Energy Index. For US Investors, a new ETF is now listed on the NYSE known as the Market Vectors Global Nuclear Energy ETF (symbol: NLR) which aims to track as closely as possible, the DAX Nuclear Energy Index. Other major companies within the Holdings of this ETF include Cameco (CCJ), British Energy (BGY), Denison Mines (DNN), and Energy Resources of Australia (ERA). In the 8 months since the ETF has begun trading, we have noticed a good correlation to our own GST Uranium Index with both the GST Index and the "NLR" ETF sporting potential double bottom type patterns.



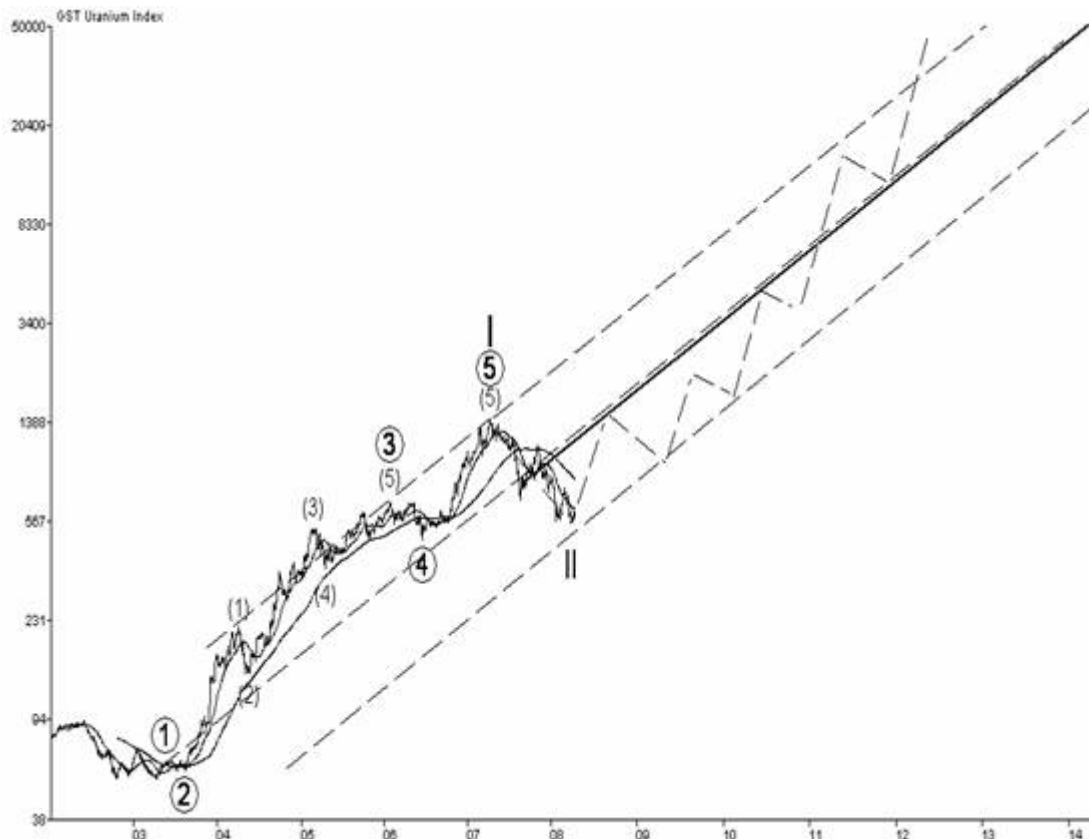
Above: the GST Uranium Index and **Below:** the NLR Marketvectors Uranium ETF

While on the subject of ETF's, we should also note that since the beginning of April, Invesco Powershares has also listed a new Uranium oriented Global Nuclear Energy Portfolio which trades as a competing ETF under the symbol PKN. For investors in PKN, France's Areva is the top holding, with other major commitments to Japan's Toshiba (owner of Westinghouse Electric), Thermo Fischer Scientific (TMO) and Emerson Electric (EMR). With the Utilities and Industrials segments comprising nearly 71% of the total fund, and the volatile mining stocks just 13% of the portfolio, this new ETF is likely to have a higher overall stock market correlation and deliver more stable, but likely less leveraged long term results. Thus, between the two new ETF's, there appears to be something for everyone to meet the needs for Uranium investors with different risk profiles. Still, when we reflect upon the potential future demand for U308 and the tight supply outlook, one can't help concluding that a strong emphasis on emerging producers is the formula which will probably result in the greatest overall returns. For the GST Uranium Index, composed entirely of mining stocks, once a bottom is potentially in place in coming weeks, the next move should be a reversion to the secular bull.



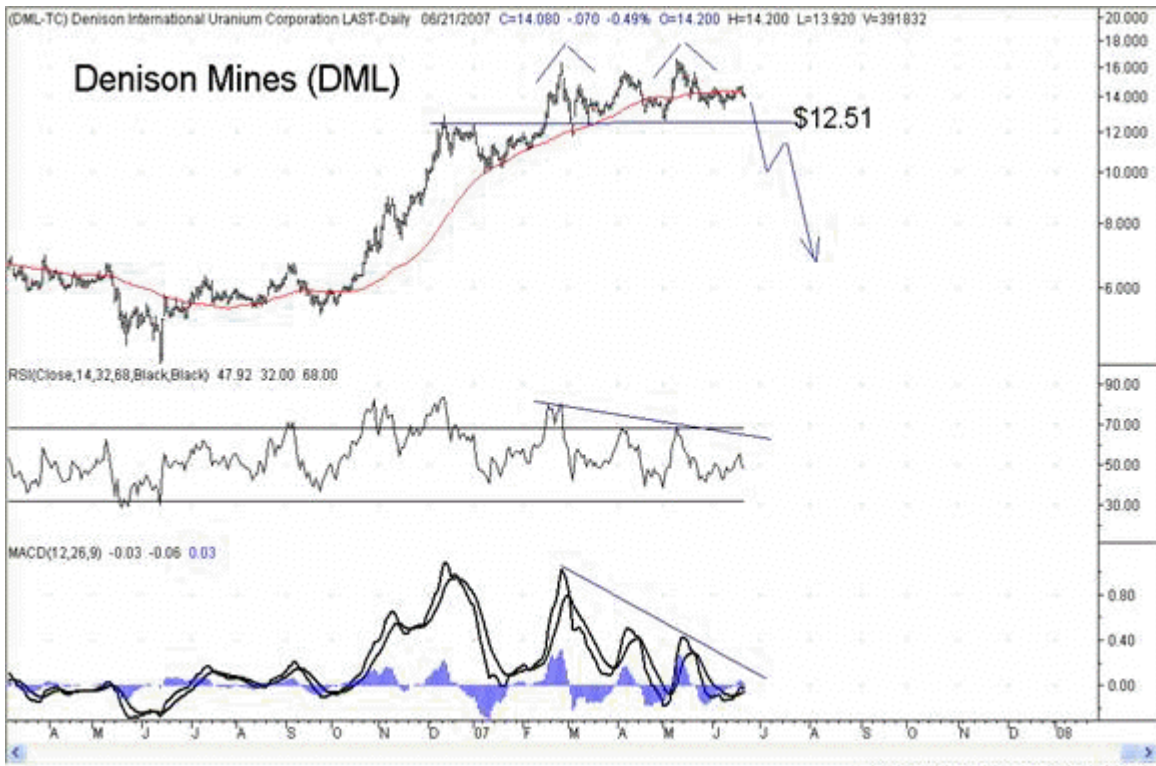
Above: GST Uranium Index could be bottoming Primary Wave II in preparation for an even larger, more extended Third Wave advance spread out over many years.

In this vein, we would be surprised to see an initial recovery rally carry Uranium Miners back up across the range of the last 18 months toward the former highs. While those highs are likely to produce yet another medium term top and a downside reaction off the highs, overall such a move offers good upside potential. In the years ahead, once the sector is able to clear the early 2007 peak, I wouldn't be at all surprised to see a large scale third wave advance unfolding over a period of several years with Uranium stocks following an upward 45 degree angle as illustrated in the chart above using an Andrews Pitchfork. Such an extended bull market advance could easily see share prices rising well into the middle of the next decade with compound annual return in excess of 20%.



Above: Uranium Index with 20% Compounded Line

In the final chart above, we ink in a 20% compounding line as the thick middle line for the Andrews Pitchfork Channel. Impossible? We think not. Among the Emerging Producers, Denison Mines (DML-TSE, DNN-Amex) is definitely an up and coming leader which for those with a speculative appetite should be watched closely in the days ahead. In June of last year, when the share price was near \$14.00, we suggested that a pull back in the stock could see prices tumble toward the \$6.00 to \$8.00 range. Since then, the stock has plunged to a recent low of \$6.12 on February 8th and is now in a potential basing process. At the present time, the share price is below key resistance at \$7.90 and would need to move above that level in order to 'prove itself' and confirm that an important bottom has been seen.



Above: from FSO Update [August 2007](#) – “THEN”

Below: NOW, Denison Mines today...



Above: Denison Mines, any move above the nearby downtrend line at about \$7.90 would probably be a pretty good indication of a completed base, with a move above \$8.90 full confirmation of a completed base.

Within the realm of Junior Uranium mining companies, other names of potential interest include Paladin Minerals (PDN-T), Strathmore Minerals (STM-V), Pinetree Capital (PNP-V), JNR Resources (JNN-V), Uranium One (UUU-T) and Mega Uranium(MGA-V), Laramide (LAM-T).

At the close, the S&P 500 ended with a gain of 6.11 to finish at 1334.43, with the DJIA ending higher by 60.41 to close at 12,362.47. On the NASDAQ, prices moved higher to gain 10.63 index points finishing at 2286.45, while the 10 Year Bond moved higher on the yield, with yields edging up by .07 basis points to finish at 3.57%.

That's all for now,

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