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Shortfalls And Demand Boost Metals, Miners

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Just about anything that comes from the earth has shot sky high against a backdrop of growing worldwide demand for commodities, production problems and a weakening dollar.

Like oil, precious metals and coal producers rallied to new highs this week. Despite wild swings in the past 12 months, SPDRs S&P Metals and Mining ([XME](#)) returned 30% vs. -8% for the S&P 500.

It broke out past a 71.65 buy point Tuesday on more than double average volume. It closed just 2% over its buy point Thursday. But its V-shaped base warrants caution because it's a failure-prone pattern.

The ETF holds 24 U.S. companies that make aluminum, coal, platinum, palladium, silver, steel and other metals. A host of different issues pushed each of these higher.

Stormy Weather

A widespread power shortage in South Africa, the world's top platinum producer and second largest gold producer, has cut electricity to mines, forcing them to reduce output. Automakers have boosted demand for platinum, used in catalytic converters.

China, the world's largest coal producer, has suspended coal exports as it endures its harshest winter in decades. The country has been struggling to meet its own needs because of power outages and transportation bottlenecks.

On top of that, some mines have been shuttered for safety reasons.

Floods in Australia this year forced suppliers, including **BHP Billiton**, ([BHP](#)) the world's largest miner, to reduce coal delivery forecasts.

Commodities Momentum

"The industrial metals are in a bull market that will continue for the long term," said Matthew McCall, president of Penn Financial Group. "As the market moves in a trading range, the hedge funds and big money will go with the momentum, and right now the commodities have that momentum."

But chasing these stocks can be dangerous unless you're a nimble trader, says Alan Rosenfield, managing director and founder of Harmony Asset Management.

The big money players, which have a lot of cash on the sidelines, are dumping money into commodities as an alternative to cash, Rosenfield adds. He bets prices will drop quickly should the U.S. economy continue to slow.

SPDRs S&P Metals and Mining's top holding, **Stillwater Mining**, ([SWC](#)) rocketed 75% this month alone. But shares of the processor and refiner of palladium and platinum still trade below resistance at 19.

Five of the six coal producers, **Alpha Natural Resources**, ([ANR](#)) **Arch Coal**, ([ACI](#)) **Consol Energy**, ([CNX](#)) **Foundation Coal Holdings** ([FCL](#)) and **Massey Energy**, ([MEE](#)) recently broke out of cup-with-handle bases and trade near 52-week highs.

AK Steel ([AKS](#)) closed just below a 48.87 buy point in a double-bottom-with-handle base.



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