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# Alastair Ford Column: Signs of life in the AIM mining sector, but it's still a stock picker's market

It's all doom and gloom in the mining space, right?

Wrong.

A quick examination of the AIM Basic Resources Index shows that it's actually up by nearly 20% since the beginning of this year.

Given that gold and copper have been trading flat, nickel is down, zinc has now given up most of its gains, platinum is weak and rare earths are dead in the water, that's perhaps a surprising result.

But there are good reasons for the upswing.

First off, this rise is occurring off what is now a pretty low base, following four straight years in which the index fell by an average of around 30%.

Most commentators would be very hesitant about calling any sort of recovery right now, but there has been a general consensus for months that we're either at or near to the bottom.

Six months into 2015, with several companies posting strong rises, that analysis looks increasingly attractive.

What seems to have changed is not investors' perception of weakness in the commodities and mining equities markets. That's still there.

Rather, there is an increasing willingness to reward good news. In the jargon, increased trading activity following news releases is termed a "liquidity event", and what was noticeable about the blackest days of the bear market was that any sort of liquidity event would generate selling, no matter how positive the news.

In other words, investors looking to sell out of the sector would sell into good news in the hope of gaining a marginally better price. But of course when the liquidity event was related to negative news, the sellers would come out in force too.

So, no matter what sort of news a company put out, its shares were likely to go down.

And in the face of that sort of market environment it's hardly surprising that some simply battened the hatches and hunkered down to long periods of inactivity.

This year's rise in the AIM Basic Resources Index surely draws that phase of the cycle to a definitive close.

Amur Minerals (LON:AMC) is the standout example. The company has been waiting for various government permits to come through in Russia for so long that many investors had lost interest altogether.

But when they finally came through in May and June the share price rocketed by more than 200%.

This from a company with an asset in Russia, which is hardly flavour of the month as far as political risk is concerned.

Other strong risers include Sirius Minerals (LON:SXX) and Coal of Africa (LON:CZA) - likewise both on permitting news - and Wolf Minerals (LON:WLFE) and Aureus Mining (LON:AUE), which are both enjoying re-ratings as they transition from development stories into production.

At this stage it's perhaps worth pointing out that these are some of the largest companies on AIM and that they are all either in production or well advanced on the path to production. Amur, with its 830,000 tonnes of nickel in Siberia, is the least well developed, but its nickel is a known quantity and of a type that is much easier to process than most other new nickel deposits around the world.

Other companies, with earlier stage assets, still remain relatively unloved, although even here there are growing signs that liquidity events will bring buyers as well as sellers to the table, as the recent example of Mariana Resources (LON:MARL) shows. Since the beginning of the year Mariana's share price has risen by more than 40% as it continues to hit high grade copper and gold at its new project in Turkey.

So are the good times here again?

Not quite yet. A quick glance over at the big board should serve as a timely reminder that all is still not rosy in the garden.

The FTSE Mining Index, which includes the supermajors BHP Billiton (LON:BLT) and Rio Tinto (LON:RIO), has declined by 8% since the start of the year, weighed down in particular by heavy exposures to bulk commodities such coal and iron ore.

And Glencore (LON:GLEN), whose leader Ivan Glasenberg for a time glorified in the soubriquet "the smartest guy on the block", has seen its shares drop by nearly 15% as the market adjusted to an unexpected weakening of the copper price.

This very definitely is a stock picker's market rather than a bull market.