

Stalled Basic Resources Rally Set to Resume, DayByDay Says
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By Blaise Robinson

(Bloomberg) -- Basic resources sector offers low-risk opportunity to take advantage of its long-term trend reversal slowly shaping up, Valerie Gastaldy, technical strategist and partner at DayByDay, says in phone interview.

- * Miners have already bounced with strength in past two months; rally has stalled since early March but is set to resume
- * Charts show sector is "textbook example" of long-term bullish reversal after years of underperformance
- * First leg of rebound in 1Q mostly fueled by short covering; next leg of rally will be supported by new long positions
- * There has been capitulation; investors extremely underweight basic resources
- * Stoxx 600 basic resources sector index (SXPP) finding support on 38.2% Fibonacci retracement level of 1Q rally
- * "This is an excellent invalidation level to enter long again": Gastaldy
- * Chart shows index currently in a wedge, potential for small pull-back in coming days, before rally resumes again
- * Next resistance level at ~318, representing high hit in Oct.; medium term, sector could rally 50%
- * Glencore's reversal "very structured": tested its all-time low twice, first time fast, in high emotion, second time slowly; indicators displayed bullish divergence
- * Targets 235p, with invalidation level below 140p
- * Anglo American formed V-bottom in Jan., stock just went through 3-4 weeks of shallow consolidation, "proof of the strength of the trend"
- * Stock should now rally to 800p: Gastaldy
- * NOTE March 18: Credit Suisse Downgrades Mining as Iron Ore Rally Seen Ending
- * NOTE March 10: Don't Chase Rally in European Mining Shares, Exane Says

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