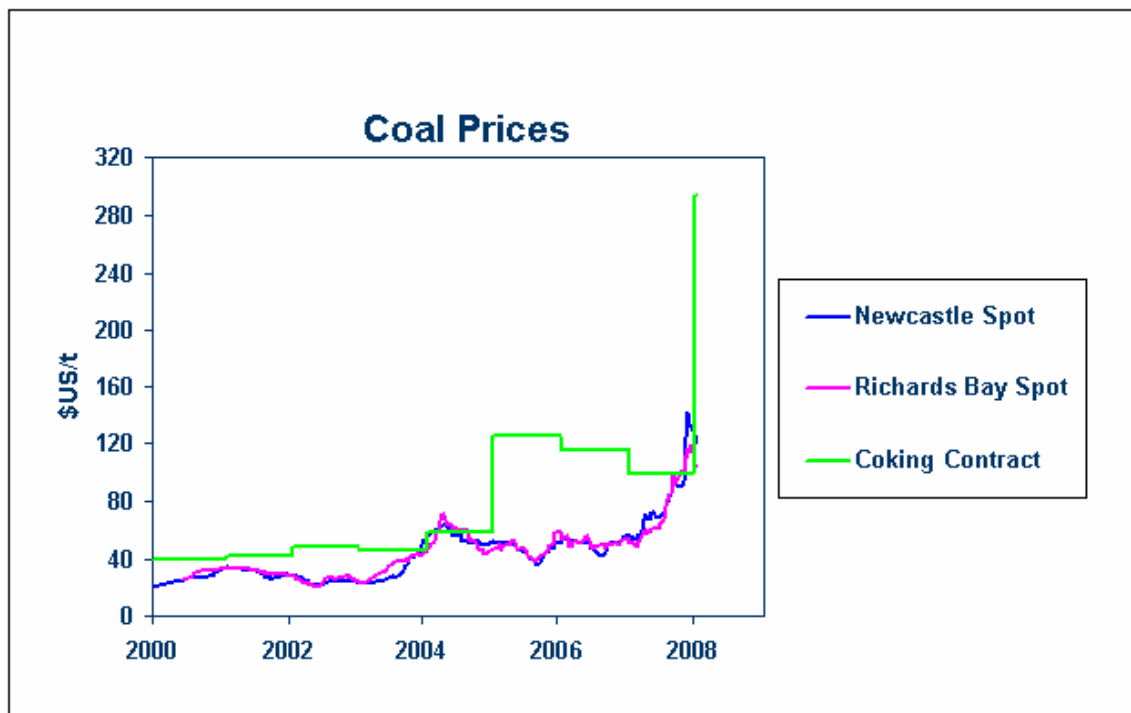


Coal sector bucks downward trend in market

Although the market may be down for the year, there has been no shortage of sectors bucking the trend. One of these is coal, which continues to move from strength to strength.

While there is no denying coal's impact on the global warming debate, the ongoing hurdles faced by new energy sources such as uranium have kept this 'old economy' fuel source in high demand.

Since the beginning of the resources boom in 2003, coal has experienced the greatest consumption growth of the world's major energy sources outpacing oil, gas, nuclear and hydro. China has led recent growth in the global demand for coal with consumption increasing by 8.7% in 2006. The Australian Government's commodity research arm, ABARE, is forecasting that China will become a major importer of both thermal coal and metallurgical coal over 2008.



Coal prices are rising and the current round of coking coal contracts are expected to be set at prices above US\$280 per tonne. Source: wise-owl.com, Bloomberg, BHP Billiton Ltd.

Much of the recent run up in coal spot prices has occurred since the start of the New Year as a series of one-off events in China, South Africa and Australia that have caused a global supply crunch. China experienced its worst winter storms in 50 years, leaving domestic production crippled. Exports from South Africa were also cut as they were redirected to domestic users following power shortages that were impacting mines and smelters. In Australia, heavy rains caused flooding to many mines in the Bowen Basin region of Queensland, causing critical shortages of coking coal. All in all, a perfect storm restricted coal supply as demand continued to grow.

These were not the only supply constraints facing this sector. Infrastructure bottlenecks at key rail and port facilities have been limiting Australia's potential output. While work has begun to increase capacity at these ports, the full results will not be seen until sometime in 2010.

This rise in coal prices is one of the many themes we have brought to our members. Spotting a trend is one thing, but choosing the right stocks to profit from the trend is another. If you would like to keep informed of sectors and stocks that are bucking the trend, click here to take a trial of wise-owl.com today.

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