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01/20/21

- This Trading Floor Research report contains:
- TFR update on China Natural Resources Inc. (CHNR) a recent buy in the Mining-Gold/Silver/Gems industry group.

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China Natural Resources (CHNR) Update

China Natural Resources Inc. (CHNR) came down hard today after announcing a secondary offering of 3.96 million shares. Secondary offerings put a greater supply of shares in the float, and dilute existing shares trading in the market. Today's secondary offering on CHNR was even more crippling by its relative size. The existing float on CHNR was 9.2 million shares. An offering of 3.96 million shares increased the float by 43%. That is the reason for the violent response today. Secondary offerings are one of the few market events that derail my trades. They come out of nowhere with price and volume able to give no advanced notice. This leads to 90% of my trading drawdowns and must be considered the cost of doing business as a trader.

I treat each secondary offering differently based on the technical damage leveled against the stock. In this case, the technical damage was not as bad as it felt. CHNR actually did a very constructive throwback into its recently broken trend-line (Refer to chart). It pulled back to its 10-day moving average (the strongest of stocks will pull back to the 10-day SMA) and could not even give a 30-minute sell signal. (Refer to chart)

This is very bullish behavior on an event that could have left the stock mortally wounded for many months to come.

For these reasons, I advise holding the trade and let the market work off the extra supply. It should pay off in the next few weeks.

China Natural Resources Inc. (CHNR)



CHNR

China Natural Resources

Basic Materials Sector(C)

Throwback to TL

10-day SMA

Buy Sell

Volume Moving Average 21

Arith

20.0M

10.0M

5.5M

0.00



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