

Coal – an investment that may be ready to heat up your portfolio.

The Chinese start up a new coal-fired power plant every seven days. Each week therefore the country needs more coal. The majority of this coal is available from mines in China, but not all of it and with the growing demand for power, (as peasants from the country move into the cities), China is importing more and more of its coal.

As a result of this demand, and since coal is used in many other countries, including by power plants in the USA, in this weeks report I will feature two coal stocks that you might consider adding to your portfolio. The first is a Canadian company, Western Canadian Coal Corp. www.westerncoal.com

It is listed on the TSX under the symbol WTN and in London as AIM. WTN has four properties, all located in ‘mining friendly’ British Columbia. The first is already producing, two others are in the development stage and a fourth is a joint venture on a property with large coal deposits that may well add up to 280 million tonnes.

Management has a lot of experience in the coal mining industry. The company recently reported earnings for the quarter that ended June 30th, and announced record profits during the period amounting to 53 million dollars.

Many of the outstanding shares in WTN are held by institutions.

Here is a chart featuring recent share performance.



The trend is up. The current rate of ascent, as measured at the rising 200DMA, (red line) is +17% per month! Trading volume declined during the 8 week pull-back (green arrow) and that is positive. The RSI at top of the chart and the MACD at bottom are both turning positive. A close above the blue arrow will indicate that the pull-back is over, and the rise is likely resuming.

The second coal stock is a US coal company with 13 active mines in Pennsylvania, West Virginia, and Wyoming.

During the past 5 years management has been able to increase revenue and profits by 39%!

The name of this company is Foundation Coal Holdings Inc. It trades on the NYSE under the symbol FCL. www.foundationcoal.com

Market cap is over 2 billion dollars and 95% of the shares are held by institutions. The company pays a dividend.

Management has a lot of experience and uses cutting-edge mining methods. While most of the coal produced by FCL is mined in open pit operations, in some of its mines it now uses 'long wall production'. This method consists of a giant wheel with grinding teeth that scrapes the coal off a vertical wall, collects the coal and sends it upwards along a belt. The cutting wheel moves back and forth, all the while scraping down the side of the wall. Roof panels are put into place to prevent cave-ins.

Here is a look at a chart for FCL



The trend is up and price has turned bullish as it broke out above the 2 month old down-trend line, when it closed above 60.00. The RSI at top of chart and the MACD at bottom of chart have both turned positive. The 50DMA (solid blue line) is in positive alignment to the 200DMA (red line), and the 200DMA is rising at a rate of +4.7% per month.

DISCLAIMER:

Please do your own due diligence. I am NOT responsible for your trading decisions.

Happy trading!

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