

# SMART MONEY MOVING INTO SAMEX?

By Adrian Douglas

I recently wrote an article about SAMEX and how attractive they look as an exploration play from a fundamental perspective (see SAMEX-The Elephant Hunters <http://www.lemetropolecafe.com/pfv.cfm?pfvID=5510>). I was looking at them from a technical perspective this weekend and discovered something very interesting which I thought is worth bringing to the attention of the café members.

The first chart shows the price of copper divided by the share price of SAMEX.



FIGURE 1

From about April 2005 the ratio of the copper price to SAMEX is flat. This means that the copper price and the SAMEX share price have been moving in lock step. Look how flat the 50 DMA and the 200 DMA are of this ratio. Considering that SAMEX is an exploration play in copper and is not a producer this would suggest to me that some very sophisticated buyers have been accumulating the stock.

Let's compare this with the ratio of the copper price to a very large copper producer, Sothern Peru Copper (PCU)



**FIGURE 2**

It can be seen that PCU has also moved in synchronization with the copper price as this chart is fairly flat, but look how much more volatility there is compared to SAMEX. That is another indication that there is a determined accumulation occurring in SAMEX.

Lets compare a chart of the ratio of the copper price to copper producer Freeport McMoran (FCX) share price.



**FIGURE 3**

This graph is also fairly flat except in 2006 the copper price has started to outperform Freeport McMoran.

The fact that SAMEX, a junior exploration company, shows less volatility to the copper price variations in its share price movements than some major producers is certainly good forensic evidence of smart money accumulation of the stock. It suggests that someone is diligently acquiring the stock but is setting limits on the purchase price that is in-line with the movement in copper prices. That implies a very disciplined and sophisticated investor.

Finally let's have a look at the chart of SAMEX itself. Figure 4 is a three year chart of SAMEX. Of note is the very strongly defined uptrend channel since April 2005. The 200 DMA stands out for how straight it is for a seemingly volatile share price. Before April 2005 the RSI would have to decline to around 30 for the stock to be considered oversold. Since April 2005 the RSI is barely declining to 50 before buying appears in the stock. That would indicate some eager investors.



FIGURE 4

SAMEX will be commencing their exploration drilling program on their Inca project in Chile later this month. I have already laid out in my previous article why I consider that SAMEX has a high probability of making a very significant copper discovery. The technicals of the stock suggest I am not alone in that view.

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