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Why I Dig the Dog Days of December

A Monday Morning Musing from Mickey the Mercenary Geologist

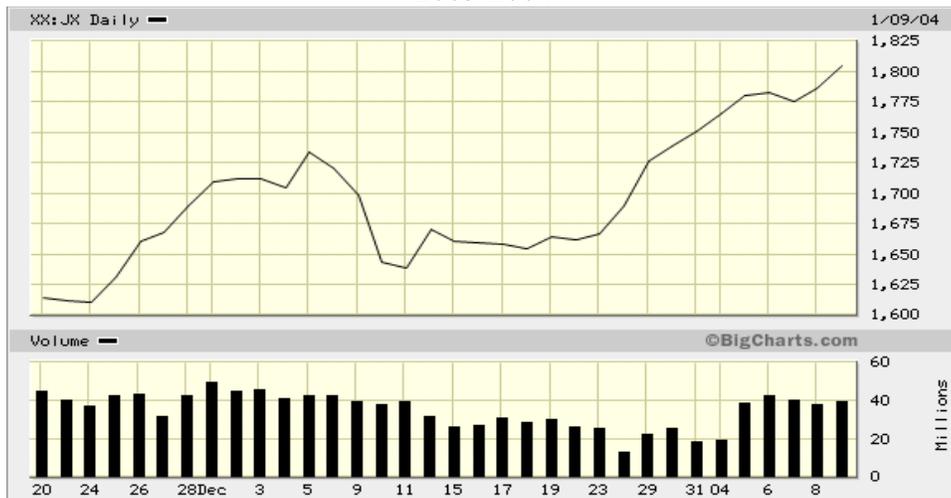
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December 22, 2014

We are in the dog days of December. This is a phenomenon that occurs per annum in the junior resource markets. To wit: there is a significant decline in stock valuations during the middle of the final month of the year. These annual downticks are driven mainly by tax-loss selling, but a contributing factor is an otherwise disinterested investor base as folks ready for the gifting and party season.

In the series of Toronto Venture Exchange Index charts that follow, I document these mid-December declines since a rising gold price resurrected the junior resource market in 2003. Note that each chart covers a period from November 20 to January 10, equaling 33 to 35 trading days:

2003-2004



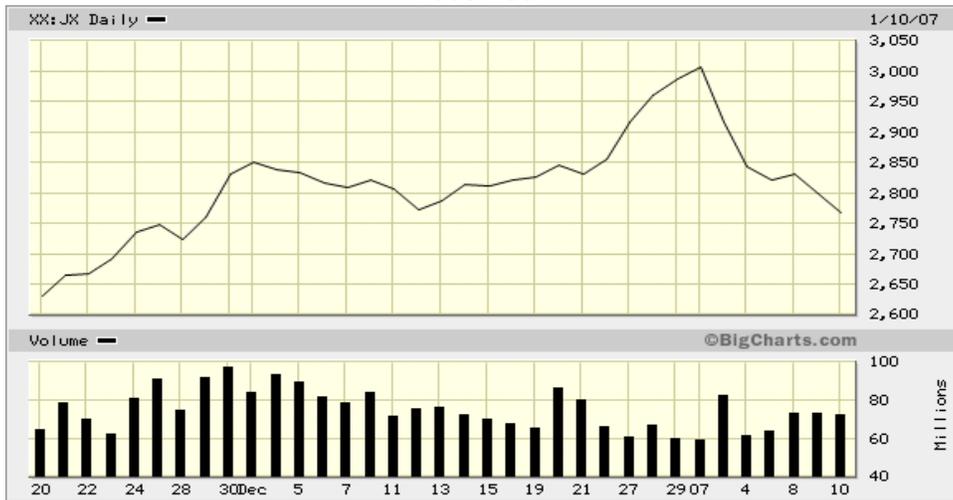
2004-2005



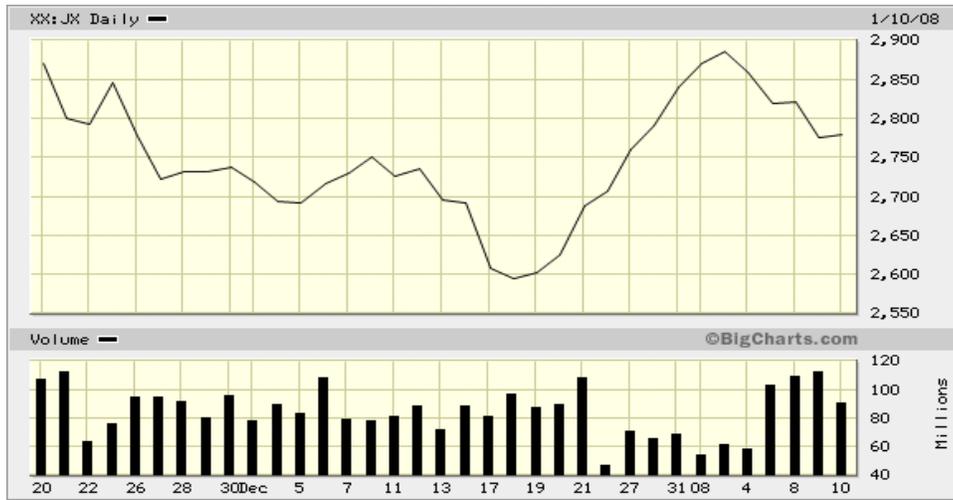
2005-2006



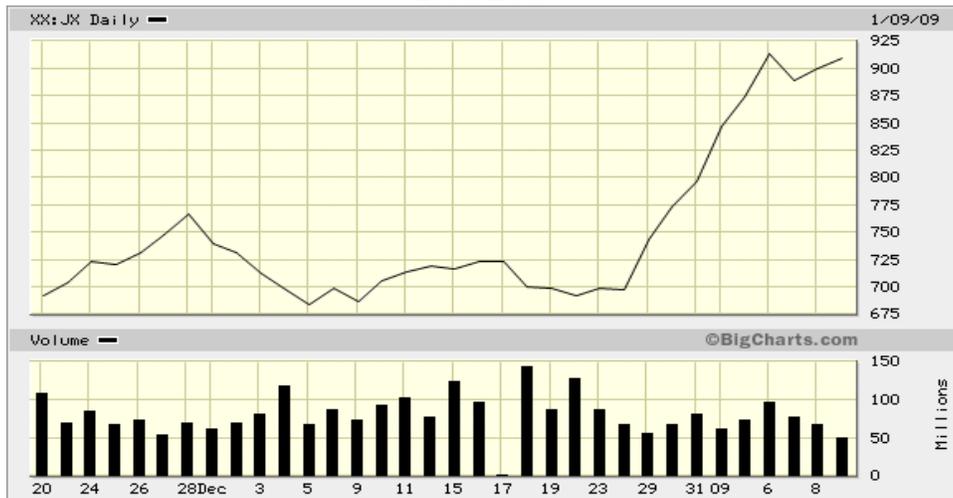
2006-2007



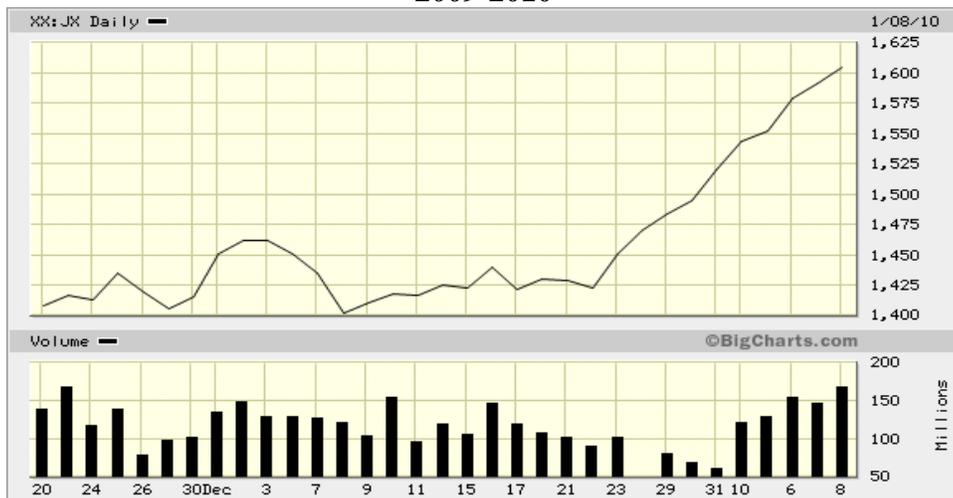
2007-2008



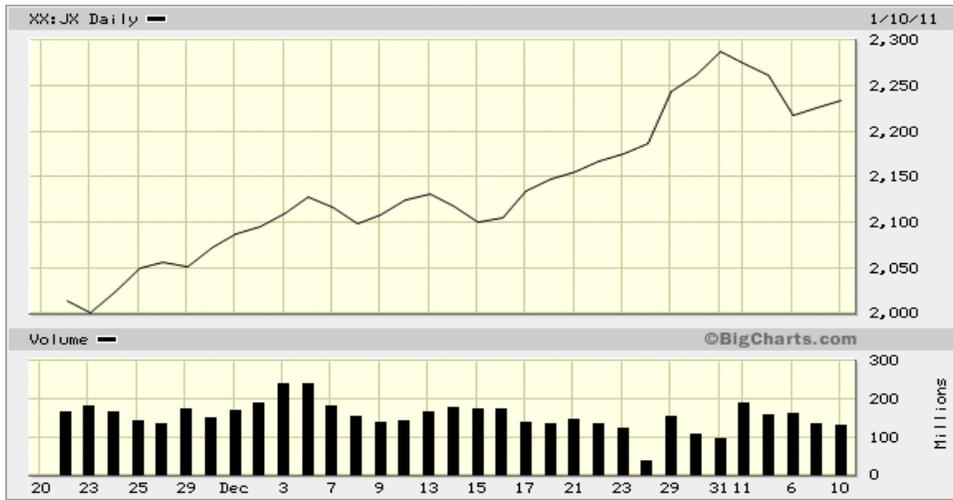
2008-2009



2009-2010



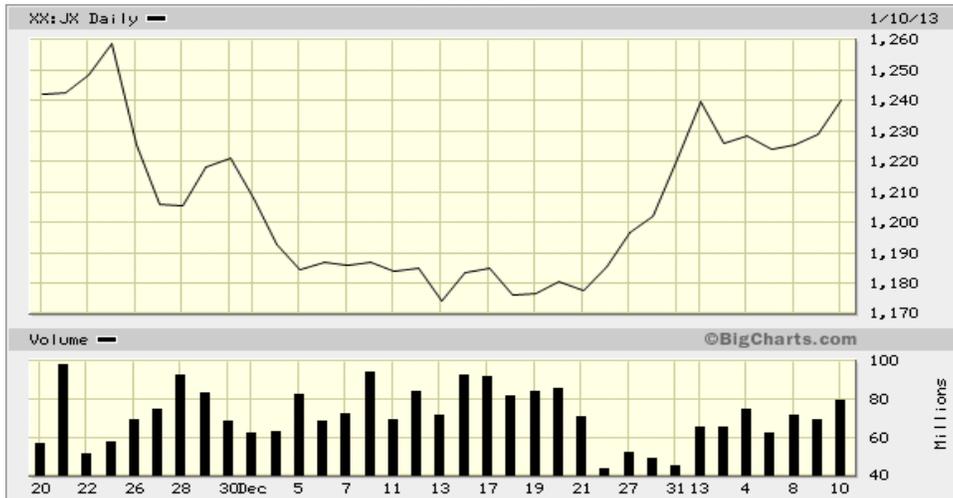
2010-2011



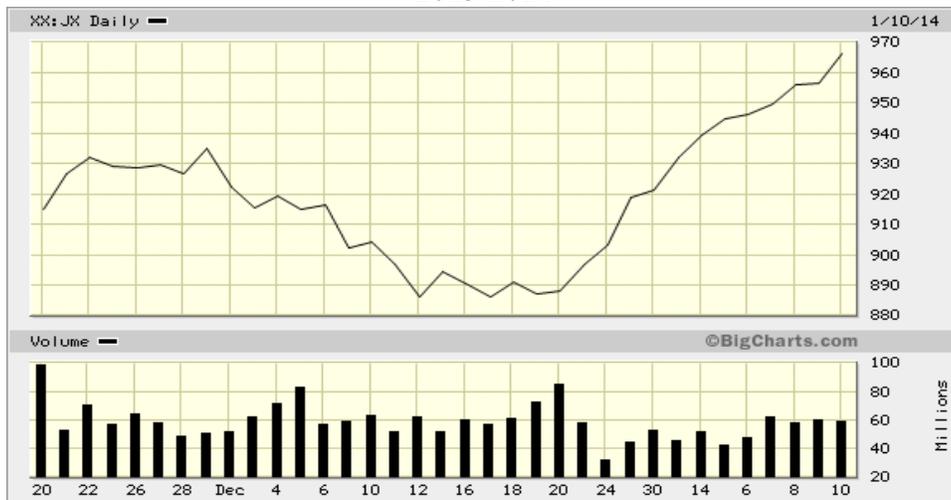
2011-2012



2012-2013



2013-2014



The conclusion from these charts is that a short-term low for the Toronto Venture Exchange almost always occurs in mid-December. This is particularly so in bear market years, when tax-loss selling is at its strongest and investor interest is at its lowest. Only one of the past 11 years has bucked this trend and that happened during the raging bull market of 2005-2006.

Finally, here's the chart from November 20 to Thursday December 18, 2014:

2014



Though the current chart is incomplete, I will make some short-term predictions based on previous bear market years:

- The Toronto Venture Exchange Index low for 2014 was likely hit on Tuesday, December 16.
- The market will probably recover a bit or flat line thru the end of this year.
- There should be a significant rally in junior resource stocks in the early days of 2015.

While hitting the late afternoon holiday party scene in Vancouver's financial district this week, I have noticed markedly smaller crowds filled with many long faces and listened to too many woeful tales regarding the state of the junior stock market.

Personally however, I dig the dog days of December. We are now in the middle of a very short window of five to ten trading days that presents the year's best opportunity to bottom fish for undervalued companies.

If chosen carefully using strong due diligence and thorough research, these will be the stocks that lead a typical rally into the New Year. If past is prologue, I can confidently forecast that the fortunes in a fortnight will appear rosier for a number of the best junior resource companies.

Whether the predicted rally in early 2015 will have any sort of staying power in the current bear market is equivocal. That may simply be a function of future commodities prices and in particular, for gold, oil, and copper.

Ciao for now,

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Acknowledgment: Gwen Preston is the editor of MercenaryGeologist.com.

The [Mercenary Geologist Michael S. "Mickey" Fulp](http://MercenaryGeologist.com) is a Certified Professional Geologist with a B.Sc. Earth Sciences with honor from the University of Tulsa, and M.Sc. Geology from the University of New Mexico. Mickey has 35 years experience as an exploration geologist and analyst searching for economic deposits of base and precious metals, industrial minerals, uranium, coal, oil and gas, and water in North and South America, Europe, and Asia.

Mickey worked for junior explorers, major mining companies, private companies, and investors as a consulting economic geologist for over 20 years, specializing in geological mapping, property evaluation, and business development. In addition to Mickey's professional credentials and experience, he is high-altitude proficient, and is bilingual in English and Spanish. From 2003 to 2006, he made four outcrop ore discoveries in Peru, Nevada, Chile, and British Columbia.

Mickey is well-known and highly respected throughout the mining and exploration community due to his ongoing work as an analyst, writer, and speaker.

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