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TSXV: From a PDAC Hangover to Sell in May and Go Away

A Monday Morning Musing from Mickey the Mercenary Geologist

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In two previous missives, I documented the record and seasonality of the Toronto Venture Exchange (TSXV) since its inception in late 2001 ([Mercenary Musing, June 13, 2016](#); [Mercenary Musing, November 7, 2016](#)). In the first musing, we demonstrated that there is strong seasonality to the TSXV Index throughout the year. In the second musing, we showed that tax-loss season offers a profitable short-term trading opportunity from mid-December to early January.

I now complete the trilogy with analysis of the TSXV Index over the five month period from January 1 to May 31.

We employ the same analytical methodology as in previous musings on the Toronto Venture Exchange Index. Our technique involves normalizing the Index value at zero on the first trading day of January for each of the 15 years and then plotting the percent change on a daily basis over the period in question.

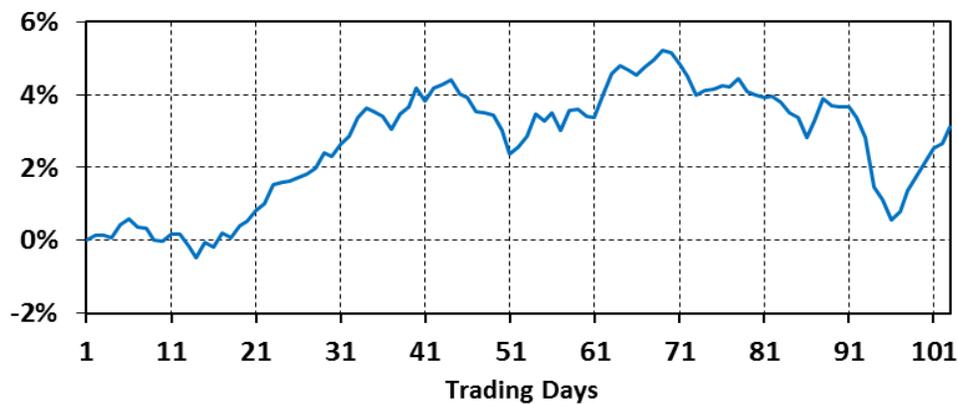
Previously, we tabulated annual opening and closing values of the Toronto Venture Exchange Index and classified its yearly performances. Bull years (**green**) are defined as those in which the price closed the year > 10% higher than it opened; bear market years (**red**) as those in which the price closed the year >10% lower than it opened; and neutral years (**black**) as those in which the percent change was less than 10%:

Year	Jan Open	Dec Close	% Change
2002	1043	1074	3.0
2003	1083	1751	61.7
2004	1766	1825	3.4
2005	1788	2237	25.1
2006	2274	2987	31.3
2007	3008	2840	-5.6
2008	2870	797	-72.2

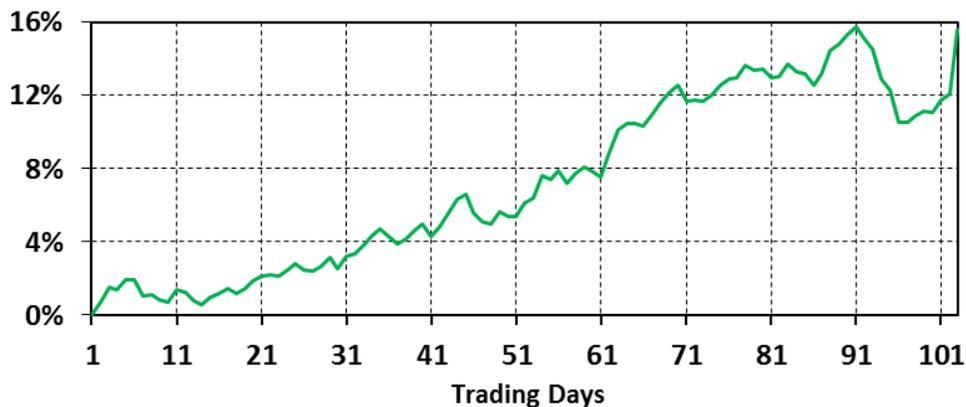
2009	847	1521	79.6
2010	1544	2288	48.2
2011	2275	1485	-34.7
2012	1506	1221	-18.9
2013	1240	932	-24.8
2014	939	696	-25.9
2015	707	521	-26.3
2016	526	762	45.0

The composite results for the January 1- May 31 time period for all 15 years, six bull market years, and six bear market years are charted below with each 20 or 21 trading days representing one month. Note the differing ranges of the percent data with the overall case at a little more than 6% while the bull years average 16% and the bear years about 14%:

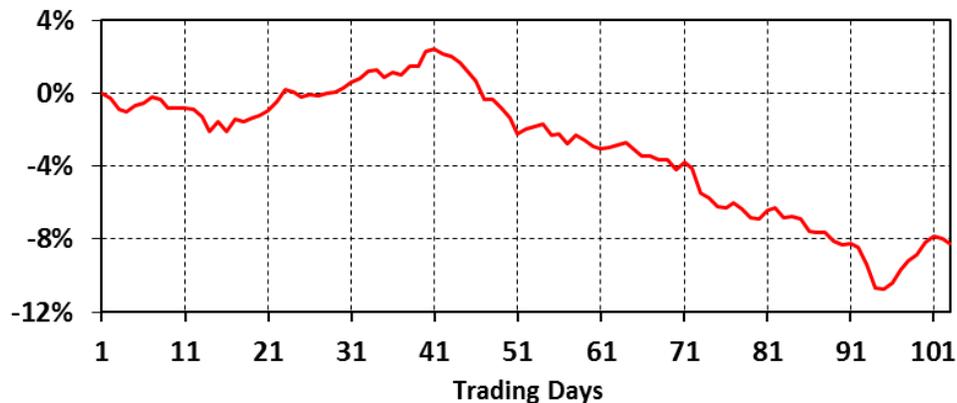
**TSXV Index
January 1 - May 31 Composite**



**TSXV Index
January 1 - May 31 Bull Year Composite**



TSXV Index January 1 - May 31 Bear Year Composite



The composite charts exhibit significant seasonal trends:

- For all three cases, there is a significant rise in the Index from the last week of January until early March.
- In early March, the market loses ground. For the 15-year and bull market years, this downtick is temporal and followed by rising valuations that last thru mid-April (all) or until mid-May (bull).
- In bear market years, the beginning of March marks the Index' highest value in the five-month period and, based on our previous work, the entire year. From early March, the market goes on a steady decline until mid-May.
- From mid- to late May, all markets show a steep parabolic drop-off and immediate rebound.

The seasonal trends are readily explained:

- The five-week rise from late January to early March is bracketed by the two largest investment conferences of the junior resource sector; the Vancouver Resource Investment Conference and the Prospectors and Developers Annual Convention.
- This is also the time when companies are promoting and completing private placement financings for upcoming exploration programs.
- The decline after the first week of March is the well-known “post-PDAC curse” or what I prefer to call the “PDAC hangover”. As promotional efforts wind down and Q1 financings are mostly complete, smart traders take profits and money off the table.
- The recovery thru mid-May in the overall and bull market cases and the decline in bear markets is probably not a seasonal effect but is likely due to general market conditions.
- The sharp drop-off in mid-May appears to be the proverbial “sell in May and go away” trading phenomena. That said, it is surprising to me how quickly the market recovers regardless of overall market conditions. I have no ready explanation at this juncture; ideas anyone?

I have shown that the junior resource sector as measured by its proxy, the Toronto Venture Exchange Index, has pronounced seasonal trends in the first five months of the year regardless of bull, bear, or overall market conditions. It is marked by rising market valuations from late January to early March, a drop-off after PDAC, a two-month period dependent on the health of the sector, and a sharp parabolic pattern in the last half of May.

Please keep in mind that the Index is a weighted average of the top 400 companies by market capitalization. That number represents less than 22% of the 1861 TSXV listings at the end of January 2017.

Seasonal patterns covering the 15-year history of the Toronto Venture Exchange can be used as general guidelines to timely trading of the *top tier* of junior resource stocks.

Therefore, a word of caution is apropos: These ideas may not work so well for the multitude of bottom-feeding penny-crappers that populate the Toronto Venture Exchange with their low market capitalizations and even lower liquidity.

That said folks, may all your trades be to the upside.

Ciao for now,

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Acknowledgment: Troy McIntyre is the research assistant for 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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