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Will April Showers Bring May Flowers?
or
Is it Sell in May & Go Away?

A Monday Morning Musing from Mickey the Mercenary Geologist

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This is no April Fools' joke, folks: Trump's tweets and threats on trade tariffs are treating us to tremendous turmoil in the financial sector. Some investors are visibly nervous given the recent downturn and a doubling of market volatility.

However, let's put some levity on the current situation: as of market close on April 6, the S&P 500 is off over 9% and the Dow is down 10% from their all-time highs in late January.

Even considering their YTD lows, these downticks barely constitute a market correction, something talking heads (including yours truly) were saying was long overdue for at least the past three years. Finally, it is here.

Corrections are good; it is unhealthy for markets to go up, up and away with never a pause or a dip.

The volatility index (VIX) has risen from all-time lows of less than 10 to averaging around 20 for the past two months. Volatility is good, too. Recall that I urged you to embrace it a few years ago (**Mercenary Musing, February 20, 2012**).

Concomitantly, the base metals markets are off from their recent high-water marks: copper at -7%; zinc at -10% from an 11-year high, and lead at -11% from its recent seven-year high. Industrial metal palladium has taken the biggest hit with over a 20% loss, but note it is coming off a ridiculously overbought, all-time high of $1129 an ounce in mid-January.

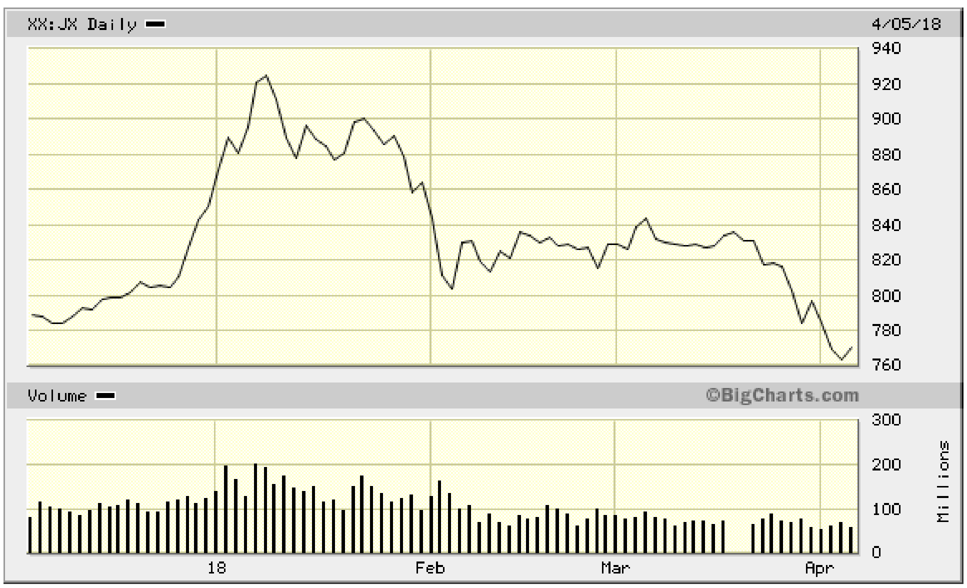
Meanwhile, since the beginning of 2018 gold has been range-bound between $1300 and $1360 with a strong negative correlation to the US dollar at -0.67. The coefficient was -0.89 for March. This scenario has played out since mid-July of last year: when the dollar goes up, gold goes down, and vice versa.

After trading over $65 a barrel last week and temporarily reaching highs not seen since the middle of the oil crash in December 2014, WTI was down to $62 at week's end. Traders and speculators are clearly concerned about the prospects of a trade war between the United States and China.

Unfortunately, the above metrics are actually relatively good news for junior resource speculators. Now for the bad news:

The Toronto Venture Exchange Index hit a 3.5 year high of 940 during the second week of January on huge volumes, averaging 177 million shares a day. Since then, it has been downhill for the index and also for investor interest, with daily volumes one-half to one-third of those in mid-January. The market index is now off over 18% from its 2018 high.

The rapid rise and strength of the Venture Exchange from the end of tax-loss season in late December to late January was clearly driven by the crypto-currency and marijuana bubbles and record highs in major markets. When these bubbles burst, as all savvy speculators knew they would, interest in Venture resource stocks deflated as well. The second down leg in the chart coincides with recent major market pullbacks:



In addition to this ugly trend in 2018, junior resource sector financings were at abnormally low levels in Q1 and reminiscent of the bear market bottom from late 2014 to early 2016.

At this juncture, there is little investor interest in our nano-cap sector.

What is needed to change the current paradigm and bring speculative dollars back into the junior resource space?

Gold is always the driver of this market so I would suggest a breakout in its price is required. Gold must punch thru strong resistance at $1360 an ounce then get to $1400 and stick.

Given the strong negative correlation with gold, a consistently weaker US dollar is the obvious key to a higher price. However, DXY has recently been as range-bound as gold at 90 $\pm$ 0.5.

So perhaps a little more volatility in the markets or maybe some good old geopolitical intrigue will make gold the safe haven and insurance policy that both of you and I know it has always been and will always be.

But let’s hope this breakout occurs before the summer doldrums are here in July and August because that is generally the seasonal low for gold demand and price.

In the interim, will April showers bring May flowers? Or will it be sell in May and go away?

Rest assured that I will have some timely opinions for you on commodities, the markets, and top stock picks at the upcoming **Cambridge House Metals Investment Conference** in Vancouver on May 15-16.

And just like **my newsletter**, it’s **free** so the price is right.

I look forward to the conference, my speaking events, chatting with subscribers at our booth, and meeting new friends and investors in the junior resource sector.

Hope to see you there.

Ciao for now,

Mickey Fulp
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The **Mercenary Geologist Michael S. “Mickey” Fulp** 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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