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If and When the Timing is Right

A Monday Morning Musing from Mickey the Mercenary Geologist

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Picking junior resource stocks is often a hit or miss affair. Sometimes the timing is right, sometimes it's not.

It's like hitting a baseball; not hard to do from a pitching machine in the batting cage. The balls come in six-second intervals, at the same speed, and in the strike zone. A batter has to time the selected speed and then hitting reverts to simple hand-eye coordination and muscle memory. A *beisbolista* can send line drives one after another to any part of the field he chooses.

But hitting a baseball from the batter's box in a game situation ain't so easy, folks.

Many aficionados say it is the hardest task in all of sport: Hitting a round ball with a round bat arriving at 90 miles an hour from a distance of 60 feet 6 inches.

Why is that?

Well, because pitchers throw balls at different velocities and locations and at varying spin rates and angles that cause movement; a significant number of balls are thrown out of the strike zone accidentally or on purpose; and very few are within a particular batter's hitting zone or "sweet spot".

A common encouragement heard from the bench and the coaching box is "Let's go (batter's name) … find a pitch to hit", and is based on the idea that you will get only one of those per at bat.

Good pitchers change speed, movement, and/or location and that makes hitting a baseball a difficult task indeed. Hitting is both science and art and equally a physical and mental challenge. At any professional level, a player who succeeds three out of ten times will become an all-star and is even more valuable if he "hits in the clutch".

That said, there is one huge difference between my baseball analogy and picking junior resource stocks. For the latter, a .300 average is unacceptable and so is the holy grail of hitting, a.400 average.

My job when picking junior companies is to hit more often than not. My ability to hit thru bull, bear, and neutral markets is a big reason why we have over 8400 **free email subscribers**.

Complicating my statistics is the very high standard that is part and parcel of our trading methodology. We count a double in share price in12 months or less as a hit; anything less than a double is scored as a miss. It's kind of like hitting in the clutch.

I have employed a sponsorship business model over an 11-year career, from 2009 to present. In that time, my batting average is over .500 on stock picks having at least a double within a year. Now admittedly, one of those was actually a triple in 13 months so let's consider that a favorable ruling by the home team's official scorer.

So far, my career spans a short but robust bull market from mid-2009 to early 2011, a five-year bear market from the top in late February 2011 to the bottom in mid-January 2016, and a resource market that has operated in fits and starts with quick moves up followed by rapid downturns over the past four years. Since the brief crypto-currency and weed bubbles that spiked in early 2018, the scorecard has been profoundly negative for the past two years.

Here's the Toronto Venture Exchange Index performance during the past five years:

Note the recent all-time low in mid-March followed by a V-shaped rebound. Despite this recent rally, the Index is still 2% underwater for 2020.

Smart junior stock speculators are traders. Buying and selling is the only way to make money in the junior resource sector because few nanocap stocks will ever issue a dividend. Buy and hold is not a viable strategy in this market because over nine of every ten stocks currently listed on the TSXV will fail over time.

Paper profits and losses are simply accounting ledgers at a particular moment in time. Until a sale is ordered, executed, and booked, all the risk remains; rewards have not been realized; nothing has been gained or lost.

My trading methodology employs a very conservative strategy to speculate efficiently in a very high risk market sector. I have successively employed this trading pattern in the junior resource markets for over 25 years. It is called **The Power of Two** and has allowed me to evolve from a small retail investor into a professional speculator.

The method demands that half of a stock position is sold once it doubles in price. Initial capital is preserved and then deployed into another stock that has strong potential to double in 12 months or less.

Since nearly every nanocap resource stock has at least a double from its low to its high in any running 52-week period, a successful speculator buys when research indicates a stock is low-priced compared to its market peers.

This is a basic contrarian philosophy. Here's one of my many mercenary mantras: *Buy stocks when they are unknown, unwanted, unloved, and undervalued*.

It's all about the timing, folks.

Sales are largely executed with open limit orders that remain in effect with a full-service broker until executed or pulled. Once a double is obtained, the remaining zero-cost basis shares are offered via programmed selling in tranches at regular intervals on the uptick and putting in trading stops to cover potential downticks. This allows a savvy speculator to trade without emotion and maximize profits.

My last two stock picks have been quite rewarding: The first more than doubled in eleven weeks, culminated in a five-bagger last summer, and currently trades at nearly three times its original cost basis. The second stock was slow on the uptake but had its double in exactly 12 months. This junior has soared over the last year; at its peak three weeks ago, it logged in at better than a 20-bagger for subscribers and yours truly as I sold a tranche at a penny off its all-time high.

Led by a robust gold price, the junior resource market is attracting more speculator interest now than it has since the false start in mid-2016. I am pleased by the way the current junior market is setting up. That said, expect an uneven performance over the summer and a slow recovery (**Mercenary Musing June 3, 2020**).

I will be trying to keep my hitting streak going in the coming months and will become more aggressive in the batter's box if and when a bull market starts to play out. In that regard, be on the lookout for a new stock pick in your mailbox in the coming days.

It will be a familiar story to dedicated subscribers and I think the timing is right … this time.

Ciao for now,

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Acknowledgement: Luke Smith is the research assistant for **MercenaryGeologist.com**.

The **Mercenary Geologist Michael S. "Mickey" Fulp** is a Certified Professional Geologist with a B.Sc. in Earth Sciences with honor from the University of Tulsa, and M.Sc. in Geology from the University of New Mexico. Mickey has 40 years of 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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