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A Smaller Equivalent of the Next “Magnificent Seven” Will Likely Be Found in the Gold Sector

Gold Exploration Small Cap Stocks – the Juniors – Could Outperform

History is into just the early stages of what could be a multi-year bull market for most Gold Stocks. At times, the action could be outstanding, especially for the Juniors. The driving force could be an equally lengthy bull market for Gold’s Real Price. Also, there is the possibility that the GDJ could outperform the S&P, which would bring in fund managers who would not otherwise position gold stocks.

The more sensational action could be inspired by outstanding discoveries, of which some could become global plays.

Financial history records that typically Great Financial Booms have been followed by Great Contractions when Gold’s Real Price has gone up – substantially. The Fourth example completed in 1873, making 1929 number Five, ours is the Sixth – you get the picture.

As deflated by the CPI, or even more practical – consider that the CRB commodities index is a proxy for mining costs. More recently, the Gold/CRB Index set a key low at 562 in October 2022 and, so far, the high has been 803, set in early August. The increase has been 42%. Energy costs are represented by Gold/WTI, indicate that these costs have dropped significantly—in half.

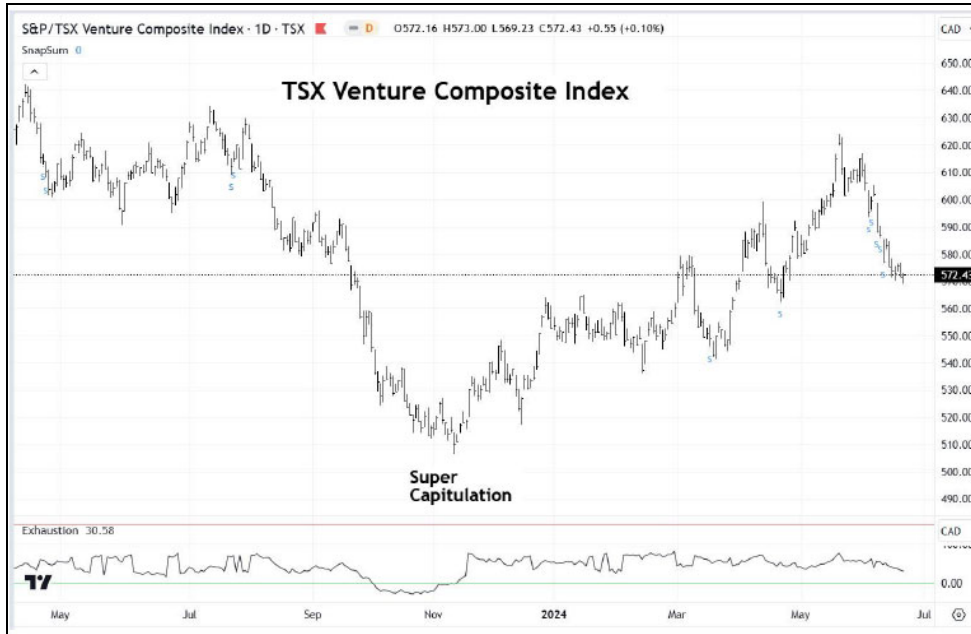
The feature of Gold/CRB is that the dollar price of gold is not part of the equation. Using the old mojo of “Dollar Down, Golds Up” is essentially a speculation in foreign exchange fluctuations. For emphasis, a speculation.

However, if the bullion price is rising faster than costs, mining margins improve. And positioning Golds against a future stream of rising earnings is an investment in the sector.

Over time, this favorable climate will help fund exploration stocks – the Juniors. With an expanding discovery, funding will be done at ever higher prices.

In 1996, we published a list of five Juniors. One was Arequipa which with a global discovery soared to \$30.

In Early December we sent out our list of eleven Juniors when the TSE Venture Index was oversold. It had fallen in half since the high in early 2021, providing a washed-out entry level.



A few individual charts show the bottoming action.



Investing in a list of Juniors is a practical way to participate, as the gains could be rather good. On the other hand, one or two may get stuck or fail.

In the meantime, the ultimate drivers have been Gold in dollars as well as our unique approach, which outlines that the bullion price could outperform mining costs as represented by Gold/CRB.

Usually from a cyclical low, the Big Caps recover first and eventually the action pulls up the Juniors.

However, both measures of Gold have become Overbought, and the sector could clock a healthy correction.

