Byron King's Angle to the Tax Loss Selling Season Blues

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"It was the best of times, it was the worst of times, it was the age of wisdom, it was the age of foolishness."

Apologies to the ghost of Charles Dickens for borrowing the first line from his 1859 historical novel, *A Tale of Two Cities*. It's about the French Revolution, but that same sentiment pertains to our current era, and certainly how stock markets reflect (or mis-reflect) the economy.

Dickens highlighted political and social contrasts and contradictions. Sophisticated London versus revolutionary Paris. Plus, how science and reason were gaining traction across the world, while in another human dimension passion and bloody craziness were the rule.

Dickens and his *Two Cities* cross my mind every year around this time, in late November and the first couple of weeks of December. Predictable as phases of the moon, there's always an annual market sell-down known as "tax loss selling season."

We definitely see this phenomenon in mining shares, and if you've been around for even a short while you know the drill.

Towards the end of the year many investors, funds, etc. sell mining shares that have done well, to book gains in the winners. Then they sell shares in different companies to book losses. The idea is to rebalance portfolios, take money off the table and absorb losses as a tax shelter.

You want contrasts and contradictions? The best of times and worst of times? Voila!

On the one hand, a long list of wonderful companies bleeds red on the screen, based on share price declines. Ugh, you think. What a takedown.

Yet if you follow many of these declining plays, the back-stories have never been better. Great assets, experienced and savvy technical teams, strong management, money in the bank. Yet people are hitting the sell-button and share prices are sliding.

Well, there's another way to look at it too. If you follow the right kinds of companies and know the stories – assets, capabilities, management – you can find bargain basement plays.

The idea is to shop now and pick up discounted shares. Then ride the gains that typically come with the new year, aka the "January effect."

For example, look at a large, well-run company like **Agnico Eagle Mines Limited** (NYSE: AEM | TSX: AEM), with a market cap of $11.8 billion. It's a solid gold mining play for any long-term investor. The company has no serious problems in any news.

Yet in just the past month the Agnico share price has slipped from over $57 to the $47 range. That's definitely not reflective of the company, its assets or people. It's just sellers taking money off the table towards the end of 2021. Yet by about March 2022 that $10 down-move will more than likely be fully restored and then some.

Agnico is a buy just now.

Or look at a much smaller company like **Group Ten Metals Inc.** (TSX.V: PGE | OTCQB: PGEZF), an early-stage explorer with a market cap of a mere $45 million. It controls a vast spread of mineral claims in the legendary Stillwater district of Montana, adjacent to mighty **Sibanye-Stillwater Ltd.** (NYSE: SBSW), with a market cap of $8.9 billion.

Group Ten has identified significant nickel, copper and platinum group metals (including rhodium), along with cobalt, chrome and gold. The company just released a very solid resource estimate, with one version summing up to over 6 million ounces of "palladium equivalent," leading to a nice uptick in share price back in October.

Yet in the past month, Group Ten shares have drifted down by about 25%. And that's despite the fact that almost none of the drilling results from the 2021 field season have yet been reported. The company expects to release additional mineralogical (good) news in January and February, which will likely strengthen the share price.

Another buy. W company with great assets, a strong technical and management team, money in the bank, and phenomenal location in mining-friendly Montana, smack next to a multibillion-dollar giant. And just now, in early December, the shares are on discount.

Or how about two other, underappreciated rare earth (RE, REEs, Rare Earths, Critical Material) companies, currently in similar sell-down territory, namely **Defense Metals Corp.** (TSXV: DEFN | OTCQB: DFMTF) and **Appia Rare Earths & Uranium Corp.** (CSE: API | OTCQB: APAAF).

Defense Metals is working on a large project in British Columbia involving a rock type called "carbonatite," which in this case is filled with high grade RE mineralization. After three field seasons (2019 – 2021), Defense has a good handle on the deposit. Management just released a splendid preliminary economic analysis that shows excellent numbers in terms of tonnes/grade, value, return on investment, etc.

Yet shares are down about 25% in the past month, while the company has yet to release results from the 2021 drilling program. If you follow the RE space, here's a bargain buy.

And Appia is working on another, very extensive RE deposit in northern Saskatchewan. It's based on a mineral called "monazite," in high demand across the world for rare earth minerals.

Indeed, Appia's deposit may be among the highest-grade monazite plays anywhere, certainly in North America and competitive with the best plays elsewhere in the world. The ore body is near-surface as well, which simplifies the mining angle. And the company has an arrangement with uranium processors in Saskatchewan to deal with any issues of radionuclides in the ore.

Yet despite this setup, shares are down over 40% in recent weeks. Another bargain play, now on sale at year end.

With all the companies above, from big Agnico to much smaller Group Ten, Defense Metals and Appia Rare Earths and Uranium, we are looking at temporary, seasonal selloffs. For long-term investors, the shares are a bargain. Even for traders who are looking to buy now and sell into the new year, it's a setup for a gain.

In other words, we have a relatively short window in early December to buy into any number of beaten-down plays. Or to turn Charles Dickens around and take a more upbeat view of the opportunity which is right in front of you, "It is the worst of times, yet also the best of times."

That's all for now… Thank you for reading.