

How to Play the Coming Market Cleanup – Including Five Names To Watch

written by InvestorNews | April 29, 2022

Broad markets are down this week in a wide, deep selloff. Or for optimists out there it's a general cleanup across the spectrum, punishing the overly ambitious. Gold is down too, as I'll discuss below.

Here's what's going on, and towards the end I'll list five "mine and minerals" ideas on how to play it all.

First, and obviously, markets have declined based on negative sentiment. And why? After all, is there any good news out there? Consider:

- War in Ukraine, rapidly emerging as a new, generational East-West struggle.
- Structural, built-in inflation across every economy in the world.
- High oil and natural gas prices, with production and supply issues worldwide that have translated into shortages.
- The nat-gas shortages have led to a lack of fertilizer which – rolled in with high oil/diesel prices – foretells of eventual, widespread food scarcity.
- All of the above, while the global cargo ship economy remains mired in clogged ports, amplified by Covid shutdowns in China.
- And people have finally caught onto the racket of those high flying, profitless tech companies with business plans that lose money, seemingly forever.

I could go on, but you get the picture. It's a mess out there and getting messier. Not exactly the foundation of a booming global economy as 2022 unfolds.

So yes, people feel negative, sell out, and go to cash. They de-risk, so to speak.

Which brings us to gold, which is sliding. And here's the quandary: Why sell gold into a de-risking market? Gold ought to represent long-term security in a time of risk, right?

The sell-side argument is that interest rates are rising, and rising rates raise the carry cost for holding gold. That is, physical gold is "just metal" and doesn't pay a dividend. So, every ounce in the vault is a missed opportunity to generate cash. And the imputed loss on gold (i.e., versus holding cash) is greater when interest rates are high.

It's not difficult to understand the argument, but I don't buy it. Because look at the situation from a different angle.

Per the U.S. government's own statistics, inflation is running in the 8.5% range – and the true number might be twice that if you follow what is called "shadow statistics." In that respect, holding cash also has a cost, namely that 8.5% inflation rate (or more) per year of vanishing purchasing power.

Here's the investor choice: hold cash and generate minor amounts of interest in an environment of rising inflation. Or hold gold and protect the wealth basis against declining purchasing power over time.

Indeed, the Fed threatens the world with small interest rate increases of 0.25% or even 0.5%. Okay, but that's insignificant when compared with the 8.5% (or more) declining value of cash.

So, why have people sold gold down in recent days? Well,

sometimes you don't sell what you want to sell. You sell what you have to sell. Like if you need fast cash.

You sell gold because it's liquid and always catches a bid. That's not necessarily the case with many other investment ideas.

During market sell-downs the price of gold often drops early, such as when overstretched people need cash to cover margin calls. But after that early tumble, gold tends to be among the first plays to recover on the other side of the selloff and cleanup.

Along with the declining price of gold, metal miners often head down too. Good companies drop in value for no good reason. The list is long and includes names that hold great assets with serious ore in the ground, coupled with excellent geologic work, facilities, workforce and management teams.

There's no saying how long the current selloff will last. Will the market find a bottom and then head back up? Or will more downside yet unfurl? Nobody really knows, and things can change in a matter of hours.

But along these lines, I have five names for you, companies in the gold and related metals space that have tumbled in recent days into bargain-hunt land:

One great up-and-running metal miner is [Avino Silver & Gold Mines Ltd.](#) (NYSE American: ASM | TSX: ASM). This company has operated near Durango, Mexico since 1968. The ore body is a deep-running series of veins that were first discovered in 1548 by Spanish explorers/conquistadores. There's a full package of mineshafts, mills and processing facilities. Much of the operation was closed during Covid, but it's all getting back into production. Ore grades are excellent, with continuing

discovery as mining progresses. Plus, an offtake agreement with Samsung for all the metals.

And here are a couple of names for companies well-along in the exploration side, with superb results to date and great prospects ahead:

Take a look at [American Pacific Mining Corp.](#) (CSE: USGD | OTCQX: USGDF). This company controls a major copper exploration play in Madison, Montana and is partnered-up with giant Rio Tinto to explore a skarn-porphyry, mineral-bearing body. Progress – meaning mineralization uncovered – has been excellent over the past 18 months, with numerous unreleased drill results still to come. Meanwhile, Am-Pac holds 100% of two other outstanding, high-grade, near-surface gold plays in hard-rock mining country in Nevada.

And look at [Group Ten Metals, Inc.](#) (TSXV: PGE | OTCQB: PGEZF). This is another company that works in the nickel-platinum belt of Montana, adjacent to property controlled by Sibanye-Stillwater. Group Ten controls a vast land package and has had remarkable success identifying high-grade zones of copper-nickel, along with platinum group metals, gold, silver and even chrome. Indeed, it's a "battery metals" play from numerous angles.

For early-stage gold exploration, look at [TRU Precious Metals Corp.](#) (TSXV: TRU | OTCQB: TRUIF). The company works in Newfoundland, in a highly prospective gold-copper belt. Its neighbors include two well-known names, Marathon Gold and Newfound Gold Corp., and TRU is directly on the geologic trend that connects these other two plays. Early sampling, mapping and geophysics are promising, with drill results offering strong promise.

And finally, another early-stage explorer, [Romios Gold Resources](#)

Inc. (TSXV: RG | OTCQB: RMIOF). This is what geologists call a “hip pocket” play, an intriguing collection of historically explored and mined projects across Canada and in Nevada. Right now, the focus is on two high-grade works that were picked in the olden days, but abandoned to the mists of time due to low-priced gold. Modern geophysics and drilling reveal significant new mineralized zones. Romios is a small-cap play, but with the ability to move on news from the drill deck.

That’s all for now... Thank you for reading.