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A Welcome to the New Decade? ... Yikes!

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"*Lately it occurs to me, what a long strange trip it's been.*" Truckin', Grateful Dead (1970).

Dear Subscriber:

I present the annual holiday letter to you, my loyal followers. The above Robert Hunter-penned lyric succinctly summarizes 2020.

A commodities bull market that was long overdue came to pass in 2020. However, the ride was anything but smooth and more like a roller coaster.

All metals resources started the year on the uptick but were beaten down to multi-year lows by panda pandemic panic and paranoia in mid-March. Palladium had gone exponential, reaching an all-time record in February before its inevitable parabolic fall and partial recovery; it then treaded water the rest of the year. The spot price for WTI oil was briefly negative as futures and options expired in April and with cratering demand, there was nowhere to store contracted oil.

Gold and silver prices were robust thru the spring and summer and the yellow metal reached a crescendo on August 6 at $2063 an ounce. Silver severely lagged at less than 60% of its all-time high. Platinum remained in surplus and significantly underperformed other precious metals despite its recent run up.

Industrial metals as always were led by The Doctor (copper), which bottomed at $2.08 in mid-March and then has made a series of higher highs and higher lows for most of the next nine months. It is now trading above $3.50, which is the high mark since mid-2013, but seems ready for a consolidation. Zinc and nickel charts mimicked that of copper in 2020.

Precious metals ratios were wildly anomalous thru Q3. From late February thru mid-July, the Au:Ag ratio established a novel paradigm above 90. For two days in March it hit 123 but is now within normal range in the 70s. With platinum languishing, Pt:Au at < 0.5 and Pt:Pd at <0.4 blew thru old lows. Rest assured, these abnormal ratios will rise in the future.

The energy sector had a horrible year. America's shale oil boom went bust in mid-March to late May. Domestic production and demand continue has taken a +15% haircut while net import reliance hovers near 50-year lows. A gross oversupply of natural gas exists in most regions of the country. LNG markets are in worldwide turmoil with wildly fluctuating prices.

Uranium had a brief rally in the late spring to early summer, mostly driven by shutdowns in Canada and production cuts in Kazakhstan. A planned but quite small US strategic reserve program for 2021 ran domestic uranium producers/developers stocks up near year's end but barely moved the price. The other yellow metal's spot price around $30/lb is below most production costs worldwide. On a positive note, for the first time since 1972 the Dems included a pro-nuclear energy clause in their national platform.

Year-over-year hard commodity returns are all in the black except oil: Au +25%; Ag +48%; Pt +10%; Pd +22%; Cu +26%; Zn +17%; Pb +3%; Ni +18%, WTI -21%; U_3O_8 +22%.

In a repeat of 2019, the big market story was American equities. Both before and a few months after the Chinese intentionally released their manmade corona virus on the rest of the world, US indices set record highs day after day, week after week, and month after month. Most other bourses followed the US lead with strong returns.

Meanwhile, central banks maintained zero to negative interest rates, increased money supplies, and created astronomical debt loads to keep markets running and locked-down economies afloat. Worldwide, there is over $18 trillion in sovereign government bonds that produce no return to holders. That number folks, is nearly equal to the entire US of A's GDP.

2020 performances include the Dow at +7%, the S&P 500 at +16%, big tech stocks leading the NASDAQ to a whopping 44% return, and the Russell 2000 with an 18% gain.

No matter what you may think of President Trump, his four years of implementing America First policies have resulted in the longest and strongest bull market in the history of publicly-traded equities. Since Trump took office, American stock market returns are astounding across all markets: DJIA +54%; S&P +65%; NASDAQ +132%; Russell 2000 +46%.

If you question my idea that Trump's platform was mostly responsible for outsized US equity gains, then let's compare them to other bourses of interest: TSX +12%; TSXV +10%; NIKKEI + 43%; HSI -16%; SSE -0.4%; and the emerging markets index, MSCI +45%.

Q.E.D.

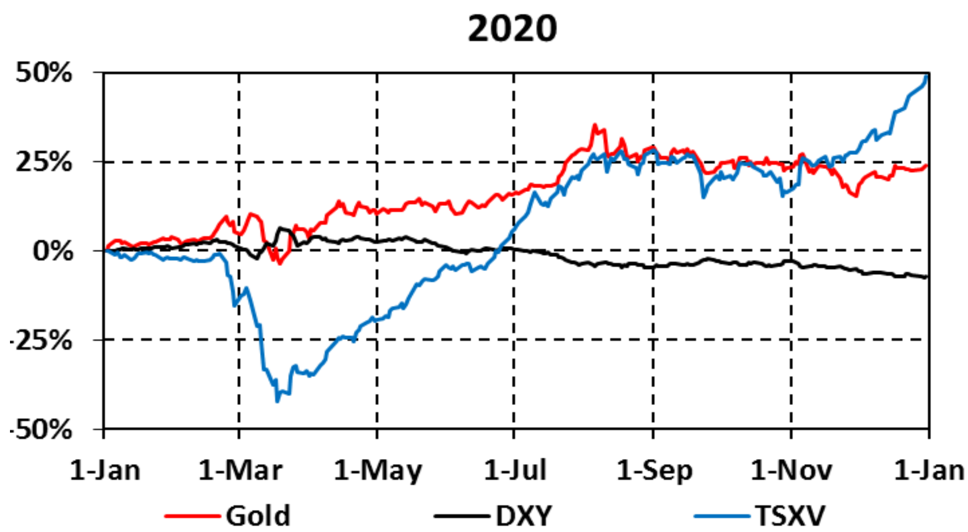
The US dollar remained the world's reserve currency in the 2010s and is poised to do the same in the 2020s. Simply put, there is no viable alternative to the greenback with all fiat currencies in a race to devalue. That said, the dollar was -7% in 2020, closing at less than 90 for the first time since April of 2018.

Here's a sobering fact: over 20% of all US dollars on the globe were created in 2020.

The TSXV Index closed at nearly at a three-year high with most of its year over year 51% gain occurring during the last two months. An early 2017 run of cannabis and crypto stocks was the previous catalyst and recent strength has once again come not from gold stocks, but rather from cannabis, cryptos, green tech, and the newest for day-trading gamers, psychedelic stocks. All hail the magic mushroom!

The aforementioned junior golds were driven by a private placement feeding frenzy in the late spring to end of summer. They peaked in August and lost and lost and lost again over the last four months of the year as all that new paper led to profit-taking and tax-loss sales.

This normalized plot of DXY, gold, and the TSXV Index illustrates the relative movement of each metric for 2020:



Since I launched the Mercenary Geologist brand in late April 2008, my sponsorship business model has proven to be very stable compared to paid subscription newsletters. Our opt-in subscriber base is nearly 8700 for a year-over year gain of 24%, confirming increased speculative interest in commodities and resource stocks. Less than ten of my newsletter-writing peers remain from 2008 when the global economic crisis was incubating; most have failed, retired, or moved on to easier occupations.

From May to October, resource stocks were frothy with greedy buyers who feared missing out. During this time, I repeatedly told subscribers of my sales to take profits and reduce exposure to this overbought and volatile sector.

I participated in five placements and all but one occurred after this "*can't get enough of anything and everything soon enough*" phenomena was over. Two were issuers that I helped finance before and the other three were early-stage opportunities with a long-lived group of strategic investors. I am now over-allocated in Loonies and as such, seeking new contrarian ideas.

I invite you to send me whatever you got.

In keeping with a conservative philosophy and trading methodologies employed on the world's riskiest stock exchange, I will continue to very selectively pick and choose companies for website sponsorship.

Here are brief synopses of three junior companies that were sponsors in 2020:

Trilogy Metals Inc (TMQ.AM; TMQ.TSX) was picked in May 2017 at 65 cents and more than doubled to $1.35 in eleven weeks. The company hit an all-time high of $3.14 in July 2019 before a series of algorithmic short attacks led to a 50% decline in its market cap. Trilogy then rallied to its 2020 high of $2.74 in mid-January. I issued alerts on TMQ in April as a buying opportunity at $1.40 and in August when it posted milestone news. Trilogy is trading around $2.00 and lagging its peers; my coverage will continue into 2021.

Allegiant Gold Ltd (AUAU.TSXV; AUXXF.OTCQX) is a Nevada-focused prospect generator. I initiated coverage in late June when the stock was trading at 33 cents. It briefly touched 71 cents in early September for a double in less than three months. Profit-taking and in-the-money free trading private placement shares quickly took it back down. AUAU is currently trading in the low 30 cent range. Assays from its flagship Eastside project drilling will be released early next year and I expect positive results. A new resource estimate is scheduled for Q2. Drill results from farmed-out prospects are other pending catalysts.

Ely Gold Royalties (ELY.TSXV; ELYGF.OTCQB) is a prospect generator and royalty company in Nevada and Quebec. Coverage was initiated in early February 2018 at 9 cents and it rocketed to 97 cents and a ten-bagger for subscribers in February 2020. I ceased coverage in mid-March and continued to sell tranches into a wildly overbought market that hit $2.09 a share in mid-summer. Of course the stock crashed, has made lower highs and lower lows since then, and now trades around $1.15. My remaining position is offered in tranches of open sell orders if/when the stock moves up again.

Let's review the 151 pieces of new content posted to our website in 2020:

I wrote **15 musings** on a wide variety of subjects that I trust are of interest to you. Included were four sponsor company alerts, treatises on the Fed and naked short selling, a humorous look at the PDAC, commentary on governmental overreaction to the China virus, analyses on overbought junior gold stocks and the importance of timing stock buys, a discourse on our massive commodities and economics database, two book reviews, and this year-end missive.

Over the course of 2019, I was interviewed **102 times**, made **27 video** appearances, and spoke at **seven events** on a variety of subjects including seasonal gold patterns, American's mineral dependency, the Toronto Venture Exchange, copper fundamentals, and trading ideas for short-term profits.

Our three long-lived podcasts include the weekly Metals, Money, and Markets update with Trevor Hall of Mining Stock Daily at nearly four years running; the monthly commodities podcast, Mercenary Musings Radio with Rob Graham, soon to celebrate its eleventh birthday; and the Monthly Market Review with Kerry Lutz of the Financial Survival Network, now in its ninth year. The first two are syndicated exclusively to **Kitco.com**.

Our Twitter postings continue unabashed, unafraid, and unrepentant despite demonstrative collusion of monopolistic left-wing social media platforms to censor free speech, conservative causes, and libertarian ideals. We remain the industry leader on this particular social media platform with over 50,500 **@mercenarygeo** followers**.**

Gratitude is due to those who make my business run. As the front man at **MercenaryGeologist.com**, it is the invaluable people who post, tweet, and research that enable us to deliver content on a timely basis:

- New webmaster and IT manager Drake Moore works the back office promptly and efficiently and is a very welcome addition to our team.

- Kirsty Hogg manages social media and promotions. Her savvy manipulation of the subtleties of twitterverse astounds all clients.

- Research assistant Luke Smith provides monthly updates of our commodity and economic database with military discipline.

- Many thanks to neighbors who maintain vigilance and feed the livestock when I travel.

- Finally, appreciation extends to our growing cadre of email subscribers.

We remain dedicated to providing timely commodities research, economic analysis, market education, think-piece essays, and timely stock picks that allow you (and us) to speculate wisely in a volatile market fraught with pitfalls. My job is often to ferret out the fatal flaws, fraudulent ideas, false narratives, and fake news that riddle the world's most speculative stock market.

I have a very long career as a practicing economic geologist and analyst. As such, I am a skeptical optimist and have very strict criteria for speculation. I find far fewer projects and companies to buy than many other newsletter writers who set low thresholds and cover 10, 20, or in a couple of instances, 50+ companies.

I hope to avoid the many stock market manipulations that do not meet strict risk-reward criteria. Every stock promoter has a "story" and it is tailored to attract your speculative dollars. Most of these peeps are snakes, sharks, shysters, or charlatans, and were or destined to be carnival barkers, patent medicine peddlers, used car salesmen, and/or mainstream media mavens in past and future incarnations.

I would rather miss them all than get hoodwinked into companies that make no technical and/or market sense.

My attitude is that the next big opportunity will come around in due course. Patience is a virtue and it is required for contrarians.

"*He that can have patience can have what he will*", Benjamin Franklin.

Rest assured that I will find new and profitable opportunities in the junior resource sector in 2021. The commodity sector is poised for a new secular bull market. With a radically rogue regime in China now exposed to the world, geopolitical risk is even more a concern. Therefore, my focus remains on the good ol' US of A and specific other countries in the Americas.

Please remember that profit-taking is never a bad move and it is an especially sound strategy in the volatile junior resource market. So I repeat this mantra: *You must sell to make money!*

MercenaryGeologist.com will be successful only if you continue to have an interest in what I say, write, and do. I pledged to remain honest in opinions, outspoken in ideas, and consistent in values.

We always welcome and appreciate your comments, ideas, and suggestions. We respond to all inquiries … unless you are a troll: **contact@mercenarygeologist.com**.

In these trying times, I trust your holiday season continues to be relaxing, enjoyable, and most importantly, in the *physical* company of those who should be closest to you.

#LiberateAmerica.

Ciao for now,

Mickey Fulp
Mercenary Geologist

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 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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