I Wish I Were Smarter, Thoughts From San Francisco*

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I wish I were smart enough to know when and at what price gold will have bottomed. My comforting thought is that no one has the answer to that question and I have some great company.

Some of the brightest minds in the natural resource sector discussed this timing issue at the recent Metals & Minerals Conference in San Francisco.

One thought was that gold could still plunge to $900 an ounce. Ouch. That would be nasty, but perhaps not out of the question. Others think that gold already bottomed last June at the $1188 an ounce and we are ready for the uptrend to resume. Some analysts believe we will trend lower and sideways for another year or two before an uptrend resumes.

No one knows, and no one will know until well after the bottom is in place and we can look back in our rear view mirror with clarity.

If the so-called experts don't know what is going on, what is the average investor to do, if anything and when?

My friends in the business, newsletter writers and analysts are pondering this same issue; Rick Rule, Jay Taylor, John Kaiser, Lawrence Roulston, Frank Holmes, Joe Martin, Bud Conrad, Bill Murphy and others were all in San Francisco.

What we do agree on is that we are near a low in gold and resource shares and over the next few years, fortunes will be made by those investors staying the course and remaining committed to this investment sector. As Rick Rule says, "you have stayed for the pain, will you not stay for the gain?"

Many good companies are selling for below or very near their cash value. While this is unthinkable in a bull market, at this particular time it is not difficult to find companies with lots of cash in the bank selling at ridiculously low prices.

Now I may not be the smartest guy on the block but I can recognize opportunities and it is definitely time for investors to be positioning themselves for the next big uptrend, which could begin at anytime.

Should you be nervous? Of course, everyone is nervous, because 'we' don't' know if there is further downside risk. So perhaps you will want to tip toe into the waters and keep some cash for later, hedge your bets so to speak. While an aggressive investor might say, 'the hell with it, I am going all-in'.

I guess I could show you some charts, but, you already know how bad it is. This is the worst of times for the resource shares over the last decade or so. Charts would only make you cry to see the destruction of wealth in this sector.

My suggestion is to focus your attention on companies with strong management having significant share positions in the company, good properties, cash in the bank and operating in safe mining environments with little or no geopolitical risk.

The balance of 2013 could be very interesting as tax loss selling season in upon us. Funds will probably also be selling to clear out their weakest positions before year-end as well as to meet redemptions by their shareholders. Thus investors have until the first of the year to complete their due diligence on selected companies.

You don't need to be a P.H.D. to realize this current oversold situation will correct itself eventually and those investors 'in the game' will be rewarded. This is the time to be a contrarian, time to be brave, time to be bold, time to step up to the plate and make some decisions and then wait. Exercise patience and wait for your seeds to grow and grow they will in the coming bull market in the natural resource sector.

While I still wish I were smarter, I am not. However, I will use the approaches above to find new opportunities and alternative investment strategies and to be in the best position possible heading into the first of the year.

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