# *The Gold Stock Bull Guide to* ***Investing in Canadian Stocks*** *(for non-Canadian Investors)*


Many of our stock recommendations are for Canadian stocks. It should come as no surprise, because much of the mining universe is centered in Canada. A large number of mining companies are headquartered in Vancouver or Toronto and Canada is a resource-rich nation. So if you are going to take advantage of many of our stock recommendations, you will want to trade on the Canadian exchanges.

Don't worry, it is not difficult to do and we will walk you through the steps to get set up and start trading in no time. We will also explain the advantages of trading directly on the TSX versus the pink sheets on U.S. exchanges. And we will show you which brokers are the best and charge the lowest fees for trading directly on the Toronto Stock Exchange

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# Why Buy Canadian Stocks?

Well over 50% of all public mining companies in the world are listed on the Toronto stock exchanges. Nearly half of all of the companies listed on the TSX are mining stocks. This should give you some indication of the importance of the TSX.

Why? Canada is the world's largest exporter of minerals and the regulations for starting a company in Canada are much less burdensome and less expensive than in the United States. Therefore, most new junior companies will list in Canada, even if their projects are based elsewhere. This makes the Toronto Stock Exchange (TSX) and Toronto Venture Exchange (TSXV) home for the junior mining industry.

The main exchange is the Toronto Stock Exchange (TSE), expressed with a "TO" in the symbol, such as Alexco Resources being AXR.TO.

The Venture exchange is where most micro-cap and start-up companies are found and lists its stock symbols with a V, like Integra Gold: ICG.V.

As companies on the Venture exchange advance and grow, they move up to the Toronto exchange. At Gold Stock Bull, we will recommend stocks on both exchanges.

A major benefit of purchasing stocks directly on the Canadian exchanges (and thus in the Canadian dollar) is that your investments stand to benefit from any appreciation of the Canadian dollar versus the U.S. dollar. When you book profits in Canadian dollars, you will be able to convert them back to more U.S. dollars than if you had booked profits directly in U.S. dollars.

Of course, this can work both ways. In the event that the Canadian Dollar falls versus the U.S. Dollar, you would lose money when the currencies are exchanged.

From 2002 to 2008, the USD lost value against the Canadian Dollar (CAD). The USD then spiked during the financial crisis, but proceeded to drop again from 2009 to 2013. From 2013 to start of 2016, the USD has been strong and gained value against the CAD. But since the start of 2016, this trajectory has flipped and the USD is once again losing value again the Canadian Dollar. I think this is likely to be the prevailing trend going forward, so I think investors will benefit from buying on the Toronto Stock Exchange. Just make sure your broker is buying in Canadian Dollars.

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### A Word of Caution with OTC/Pink Sheet Stocks

You should approach the U.S. Pink Sheets or Over the Counter Bulletin Board (OTCBB) stocks with a bit of caution. In most cases, you are not buying the Canadian stock, but a representation of the original company's shares.

These "stocks" are not required to list with the SEC, and don't have to submit quarterly reports. Shares of pink sheet stocks trade separately from the shares in Canada, and can sometimes have a drastically different price.

One of the biggest disadvantages is the lack of liquidity on the OTC/Pink sheet stocks. The bid/ask spread will usually be much wider than if you buy directly on the Toronto Stock Exchange.

You are likely to pay more in commissions buying on a foreign exchange. This makes sense given the additional work required for a non-citizen to buy shares on a foreign exchange. But the better liquidity, tighter bid/ask spread and potential for currency appreciation makes it worth the higher commissions in my view. The difference is usually only a few dollars in commissions per trade.

> ***Tip:*** *Make sure to use limit orders when you buy and sell. If you use market orders and buy "at the market," the market makers can fill your order at the highest possible price, even when the stock is dropping. You want to get the best price.*

## How to Buy Canadian Stocks?

Now let's get you set up so that you can buy and sell Canadian junior mining stocks. To do that, you must have an account with a brokerage that will let you buy them. This is no longer difficult, cumbersome, or expensive. In fact, most of the major online brokers will allow you to buy stocks on Canadian exchanges. If yours is not one of them, you might want to consider switching brokers or opening a second account.

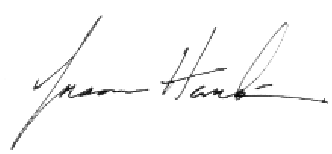
As you can see in the chart below Fidelity, Interactive Brokers and Schwab are the only only options that we found for U.S. investors to buy directly on the TSX. Of the three, I think Interactive Brokers offers the most flexibility and lowest costs. Their customer service was also the best when I called the various brokers for this report.

| | Can I trade directly on the TSX? | Can I trade TSX online without broker? | Can I choose to settle trades in $US or $C? | Can I convert currencies easily? | If stock is double listed, can I still buy on TSX? | Can I trade TSX stocks within in IRA? | What is the trade commission? |
|---|---|---|---|---|---|---|---|
| **Fidelity** | Yes | Yes | Yes | Yes – 1% fee to convert | Yes | No | C$19 |
| **Interactive Brokers** | Yes | Yes | No – Settles CAD | Yes – Do pair trade for $2 | Yes | Yes | 1 cent/share, min C$1.00 |
| **Charles Schwab** | Yes | Yes | Yes in global account | Yes - 1% conversion fee | Yes | No | $8.95 normal, C$14 global |
| **TDAmeritrade** | No | N/A | N/A | N/A | N/A | N/A | N/A |
| **E-Trade** | No | N/A | N/A | N/A | N/A | N/A | N/A |
| **TradeKing** | No | N/A | N/A | N/A | N/A | N/A | N/A |
| **TradeStation** | No | N/A | N/A | N/A | N/A | N/A | N/A |

Despite having TD in the name (short for Toronto-Dominion), TDAmeritrade is actually one of the worst brokers for those wanting to purchase stocks on the TSX. Ameritrade Holding Corporation acquired TD Waterhouse USA from TD Bank Financial Group in 2006. TD Waterhouse (the brand used for a Canadian brokerage within Toronto-Dominion Bank) decided to focus solely on Canada. So, TDAmeritrade is as American as apple pie and you can ignore the TD part of it.

At Gold Stock Bull, we will often recommend stocks listed on the Toronto Stock Exchange. If you are not currently a member, you can sign up here to get access to all of our stock picks, the monthly investment newsletter and weekly trade alerts.

Cheers, Jason Hamlin
President – Gold Stock Bull



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