



How to Rack Up Tax-Free Gains in a Bear Market

Description

The cumulative contribution room for a Tax-Free Savings Account (TFSA) rose to \$63,500 in 2019. This was the first increase to the annual contribution since the Harper-led federal Conservatives rose the annual contribution to \$10,000 in 2015.

Ever since the TFSA was launched in 2009, the investing world has seen its fair share of stories about huge tax-free gains over the years. Back in 2015, there was a well-publicized story on a trader who managed to amass \$1.25 million in his TFSA. In the 2015 story, the *Financial Post* covered John, a 50-year-old institutional trader who managed to break through the \$1 million threshold with “a series of longshots on penny stocks and warrants.” Two deals were highlighted that involved large trades in exploration companies.

The financial crisis afforded many investors the opportunity to take big gambles on junior miners. The spot price of gold and silver soared in the early part of this decade before the economic situation stabilized. Of course, betting on junior mining penny stocks is a risky proposition, and for every big winner, there will be many more who whiffed on exploration companies. Unfortunately, we do not get to deduct capital losses in a TFSA!

So, maybe you do not want to take the leap and gamble on junior miners in a choppy economic environment. There are still very solid miners on the TSX to choose from that boast steady production. The two we will look at today have put together very solid stretches during the last two [bull runs for gold and silver](#).

Yamana Gold ([TSX:YRI](#))([NYSE:AUY](#))

Yamana Gold closed at \$3.21 on January 16. Compare this to its over \$20 valuation back in late 2012, when the spot price of gold was threatening the \$2,000 mark. Shares of Yamana fell back down to earth, and by 2015 the stock was consistently valued below the \$3 mark.

In 2015 and 2016, gold entered a brief bull market in large part due to economic turbulence that had spilled over from Asian markets. Yamana stock surged to over \$8 in the summer of 2016, as gold

looked poised to threaten the \$1,400 mark. However, markets would soon stabilize. The election of Donald Trump ushered in a stronger dollar, as the U.S. Federal Reserve marched forward on its rate-tightening path.

Gold built promising momentum in late 2018 and has held firm, even as markets have bounced back in January. Previous bouts of volatility have [produced lucrative runs](#) for top gold equities. Yamana is worth holding in January.

Silvercorp Metals ([TSX:SVM](#))(NYSE:SVM)

Silver is often starved of attention when it comes to debating safe havens, but this should not be the case. Silvercorp Metals had dropped 22.5% year over year as of close on January 16, but its performance during the bull run for precious metals in 2016 is noteworthy for TFSA investors.

Silvercorp stock was consistently trading around the \$0.60 mark in late 2015 and early 2016 before a rally in spot silver prices carried it to new heights. The stock rose above the \$5.50 mark in early 2017 on solid earnings but has since retreated. A significant investment in Silvercorp in early 2016 would have netted substantial tax-free gains in a TFSA by the beginning of 2017.

The Vancouver-based company is the largest primary silver producer in China. Silvercorp is well ahead of the industry average in price-to-earnings and price-to-sales ratios.

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