

# How U.S. Investors Can Buy Canadian Stocks

By Greg McCoach

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As a newsletter writer for junior mining stocks and a U.S. citizen, I have been amazed these past 7 years that most U.S. investors have missed the incredible bull market that has unfolded in junior mining stocks.

There are two primary reasons for this.

The first is that most U.S. investors have been and are still focused on their beloved Dow, Nasdaq, or real estate markets. They simply have been oblivious to the profits being made in the natural resource sector. That in my opinion will soon change as markets in the U.S. begin to tread water or head south and investors start looking elsewhere for profits.

The second is the perceived difficulty of investing in Canadian stocks. Most Americans don't have a clue where they can go to buy and sell Canadian equities. Even many U.S. brokers when asked don't know or won't help you due to the fact that they become fearful you are taking your money elsewhere. I know this because of the massive amount of emails and questions I get asking for help in trading Canadian stocks.

While I have written about this in my newsletter for the sake of our U.S. subscribers many times over the past seven years, I have finally decided to write a thorough report about all the issues for those wanting to invest in Canadian junior mining stocks.

The vast majority of mining companies are based in Canada and trade on two Canadian exchanges, the Toronto Stock Exchange (TSX), or the TSX Venture Exchange. Most mining companies (junior and senior) are headquartered in Vancouver or Toronto, and typically have a two or three letter designation on these exchanges. A simple way to access stock prices in the U.S. for these symbols is to use the quote boxes for stocks at MSN.com. With MSN simply type in CA: and the two or three digit Canadian symbol and a detailed quote box will pop up. The CA: is the designation for a Canadian stock at MSN and will give you a detailed quote by entering the Canadian symbol after it. Yahoo, and other internet service providers have methods for accessing quotes for Canadian stocks as well. Find out how this works with your internet provider and check it out.

The junior mining companies for the most part do not have a listing on any of the major U.S. exchanges such as the Dow, Amex, or Nasdaq, thus the confusion for U.S. investors when trying to place an order. A senior producing company such as Barrick Gold, will have a listing on the NYSE or AMEX as well as their Canadian symbol and can be easily traded with any U.S. broker. Trading the seniors has never been a problem.

The big profits and leverage however are being made with the junior mining stocks and not the seniors, so U.S. investors need to understand how to buy and sell the juniors.

Also, there are a few U.S. based companies in the junior mining sector that typically have offices in Denver, Colorado or Coeur d'Alene, Idaho. They will trade on the Canadian exchanges as well.

A good percentage of these Canadian or U.S. juniors will have what is called an OTC Bulletin Board listing (usually a 4 or 5 letter designation like PIED, or POMGF) and can be traded on the U.S. side. The problem with this is that the trading volumes can be extremely thin compared to the trading volume on the Canadian side, where most of the action takes place. This can cause difficulty in completing a trade or getting the best price.

If you are trading on the OTC Bulletin Board, you can trade online with U.S. brokers but you must always trade with a limit order. Using a market order on the OTCBB is akin to losing a good portion of your backside to the sharks who love taking advantage of such unsuspecting investors. NEVER USE A MARKET ORDER WHEN TRADING ON THE OTCBB! This means you will probably have to baby sit your order closely, constantly adjusting your limit price until it goes through. While this can work, there are better ways to trade as I will describe a bit later.

Also, it is important to note that many of these Canadian or U.S. junior mining companies do not have an OTCBB listing and must be traded on the Canadian side. In the U.S. you can accomplish this with some brokers by asking for their foreign trading desk and making your trade over the phone. They charge a higher commission for a phone order but it is well worth it in my opinion if you have no other option for getting such a trade placed.

So what are the better ways to trade these junior mining companies for U.S. investors? There are several ways to do this, but the best case scenario for each investor will depend on your own individual circumstances. There are full service brokers and discount brokers. Each investor should evaluate the merits of each company and decide what is best for their own investing needs. Below I outline what I consider the best ways to do this with each kind of broker, whether full-service or discount along with recommendations of who to contact.

As a U.S. citizen, if you have a residence in Canada you can open a Canadian brokerage account. Without a residence in Canada, you cannot have such an account since most brokerage firms in Canada don't have the ability to clear transactions in the U.S. after they have traded on the Canadian side. If you are fortunate enough to own a residence in Canada and would like to open an account with a great full service broker, I would suggest you call **Ken Muir** with **Union Securities** in Vancouver. His phone number is **604 687-2201**. Personally, I am hoping to have a residence in Canada soon so I can open an account with him. I highly recommend Ken to Canadian investors or U.S. investors who have a Canadian residence with C\$100,000 or more to invest. He is extremely knowledgeable with regards to junior mining stocks and has made a ton of money over the years for his clients! I

consider him a great friend.

For U.S. investors that do not have a Canadian residence but would like an easy way to trade Canadian junior mining stocks on the Canadian side with a full service broker, I recommend **Harold Leishman** with **Canaccord Capital**. His phone number is **604 643-7623**.

Canaccord has the unique ability and advantage for U.S. investors to trade on the Canadian side but clear the transactions on the U.S. side in order to conform with U.S. laws. Most other Canadian brokers do not have the ability to clear trades on the U.S. side for reporting purposes. This is a distinct advantage for Canaccord. Their commissions are a bit higher as a full service brokerage but they offer an easy way to trade, especially when it comes to those U.S. investors who hold Canadian paper from private placement opportunities. Canaccord can easily deal with the stock certificates and warrants that U.S. investors hold without any glitches. Other firms in the U.S. have problems with these transactions because private placement certificates and warrants have legends that first need to be removed. While U.S. brokers can usually do this, it sometimes can take many weeks before a legend can be removed and the trade can be finalized. For U.S. citizens who often participate in private placement opportunities, Harold's firm offers a great and convenient way to do this. I would recommend Harold for U.S. investors who are typically high net worth individuals who like to participate in private placements.

While a full service broker can work for some individuals, most investors like the idea of getting the lowest commissions possible through a discount broker. For discount online trading in the U.S., I have found the following brokers to offer the best services:

## **PENN TRADE**

Penn Trade represents one of the few brokerage houses in America that can easily trade any of the Canadian stocks. They specialize in Canadian junior mining stocks and I personally have an account with them as do my children.

They do online transactions for \$29.95 per trade. While this may seem a bit higher than other online U.S. brokers, Penn Trade offers several nice incentives that most online brokers don't have in place. For example, Penn Trade has no extra charges for market orders, limit orders, large volume, small volume, or stocks under \$1.00. Many online brokers in the U.S. do charge these extra fees. To get the bottom-line cost for doing a trade you need to factor in all the costs that discount brokers charge. In the end, \$29.95 may be the lowest cost by the time you factor in all the fees. Also, another plus with Penn Trade is that every 10<sup>th</sup> trade is free.

If you want details on them I would suggest you visit them online at [www.penntrade.com](http://www.penntrade.com) or call **Tim Major** at **800 535-5329**. I have known Tim for many years and he has been helpful to many of my subscribers in getting started with their accounts.

## **TD AMERITRADE**

This popular online broker can trade Canadian stocks on the OTCBB quite easily. For Canadian stocks that do not have an OTCBB listing, you can trade on the Canadian side with TD AMERITRADE by asking for their foreign trading desk. The order will be placed as a telephone broker order and will cost more than an online transaction, but you at least have a convenient way to trade on the Canadian side if you need to.

For new accounts please call 1 800 454-9272 or international 1 800 368-3668 or visit them at their website at [www.tdameritrade.com](http://www.tdameritrade.com)

## **INTERACTIVE BROKERS**

Interactive Brokers is another firm that investors like because they allow U.S. citizens to economically trade Canadian equities as well as stocks from eight other countries as well as FOREX and bonds. The commission on Canadian trades is only 1 cent (Canadian) per share traded with a minimum commission of CDN2.00 and a maximum commission of 0.2% of the trade value.

Interactive Brokers offers all the same standard trading tools as you would expect with any other big name online broker. Please contact them on their website at [www.interactivebrokers.com](http://www.interactivebrokers.com) for further information.

There are other places to trade Canadian stocks for U.S. investors that I have not mentioned here but who are just as capable. SCOTTRADE comes to mind.

When evaluating any firm please make sure you understand all the facts before you trade. As I find other good places to trade Canadian stocks I will update this report from time to time.

In the meantime, just remember that the bull market in precious and base metals is just getting started and could last for many more years, maybe even for a decade or more. The profits look to be phenomenal in the years ahead based on the technical, financial, geo-political, and emotional factors that drive markets! Learning how to effectively trade Canadian stocks for U.S. investors is an important skill to have moving forward.

Hopefully you have found this report to be useful.

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