

Joe (00:01.624)

So James, do you think the shutdown's over? There's all the headlines say that they've reached a deal and that the Senate passed their portion of the bill, sent it back to the House, and we could, the longest shutdown in government history could almost be over.

James (00:16.748)

I'm not holding my breath. It's possible. It's kind of interesting. We were talking about this before. They called the Schumer shutdown and I actually think that's accurate. I mean, this is a guy who got everybody together, everybody on his side and said, we're going to vote against this. 13 times they voted, at least 13 times they voted against this. They blame Donald Trump. They blame all this stuff. But I mean, they voted 13 times against this. Now all of the Senate came up with this compromise.

And everybody's playing Chuck Schumer. And the interesting thing about it is like everybody on the left is like they're furious with Chuck Schumer. They're calling for his resignation. He needs to step down. And the whole point, when you think about the shutdown to begin with, they claimed that it was over, you know, the crisis in healthcare affordability, which is ironic because these were the same people that passed Obamacare. And Obamacare is in many respects, one of the reasons why there's a crisis in healthcare affordability. When they passed Obamacare.

There are all these Americans, I remember you crunched the numbers on this, there are all these Americans who didn't have health insurance. Now, there's actually more Americans who don't have health insurance if you include all the people that actually came onto the rolls of Medicaid, which essentially, government sponsored healthcare, these are people that can't afford healthcare. In the same time though, the cost of health insurance has gone up, the cost of healthcare has gone up, and is all because the so-called Affordable Care Act was supposed to make healthcare more affordable.

Instead, it's made both healthcare and health insurance less affordable. And the only way to make it affordable is by handing out subsidies and tax credits. And just the bizarre thing about it is that the Democrats are saying like, well, we want to negotiate this. We want you to pass these healthcare subsidies before we vote on the continuing resolution. And the whole thing is a farce because those subsidies don't actually expire until the end of December, and everybody knows that more than likely the Republicans are probably going to go along with that anyways, because they don't want to be the guys to take away the sugar cookies. They don't want to be the ones to take away the subsidies and the tax credits from their constituents either. So most likely all these credits and subsidies are going to get passed anyways. So why exactly do they have to shut down the government for it? The whole reason, as we've discussed before, is because Chuck Schumer is terrified that AOC is going to challenge him for his Senate seat.

James (02:37.28)

And so he's got to look like a tough guy. he, you know, the last time there was a government shutdown and he buckled Donald Trump, he looked like this weakling and

everybody gave him a hard time about it. So basically the entire country had to go through this ridiculous humiliation just because Chuck Schumer doesn't want to be unemployed. And as it's turned out now, everybody hates Chuck Schumer anyways, because, you know, the people on the right hate him. The people on the left, now the people on the left hate him because they say, you buckled, you caved, you were too weak. And so basically it was all for nothing.

Joe (02:56.846)
Right.

James (03:06.762)
It was all for nothing. mean, this whole humiliating process was all for nothing because Chuck Schumer wanted to keep his job and now he's probably not going to be able to keep his job. But I think the irony here is going to be that now they got to call back all the Republicans to vote on this. They got to call back the entire Congress to vote on this. And the interesting thing is, know, Hakeem Jeffries, comrade Hakeem Jeffries is, you know, he's probably going to insist that all the Democrats vote against it.

And so it's going to mean that all the Republicans are going to have to vote in favor of this. And wouldn't it be kind of ironic if the Republicans couldn't muster enough votes because like the last guy who was going to be the deciding vote to approve the reopening of the government is like stuck in Albuquerque because his flight got canceled because the FAA is not working because the government shut down. So they can't reopen the government because the government shut down.

Joe (03:57.346)
That would be kind of hilarious.

James (03:59.276)
It actually would be kind of hilarious, you know, in a way and, you know, but just another horrible, horrible, horrible humiliation. mean, you you and I are limited government guys anyways. And so as a part of this where we kind of like the government shutdown, people are saying, well, yeah, but what about, you know, what about the air traffic controllers? And my answer is always, why do the air traffic controls work for the government anyways?

Joe (04:23.703)
Right.

James (04:24.236)
You know, why don't they, I mean, there's plenty of other countries where the air traffic controllers don't work for the government. They're private companies. They're paid by fees instead of tax dollars. And so you don't ever, you wouldn't have to worry about this sort of stuff. I mean, there's, so many instances in which, in which this is the case. I would also go back to.

Joe (04:38.894)

Well, I was hoping that Trump would actually follow through and permanently cut some of the government positions that are out of work right now. If they're not essential, then why do we need them ever? So I thought that would be a great place to start cutting and that hasn't happened either.

James (04:53.28)

Right. So, and now I think as part of this grand compromise, it's probably not going to happen. So the opportunity to cut significantly from government, that's kind of now in the rear view mirror and it doesn't look like that's going to happen. so, as poignant in a way as it was, as demonstrable proof that the federal government can shut down and your life's not really going to be massively disrupted. I think a lot of people probably realize this and hopefully there was a little bit of an awakening there, where people said, why do we have all this government? Why are we spending \$7 trillion a year again? mean, Elon went on Joe Rogan like a week ago, week and a half ago, and Joe Rogan asked him, said, how much do think you could really cut? And he said, if I actually had the power to do so, he's like, easily half of the federal budget. And that might be a little bit of an exaggeration. Half of the federal budget, half of all government spending.

Joe (05:44.187)

Half of the budget or half of the deficit? He said he thought he could just slash it in half. Wow.

James (05:50.54)

Half of government spending. Yeah. He thought he could slash all government spending in half, in which case you would rock from a massive deficit into a surplus. You would be paying down the national debt. You'd have a massive surplus and all this stuff in no time. Now, I think that's probably ambitious. And he's talking about, we'd eliminate this department and that department and all that stuff, which I think you should. mean, you look at something like the Department of Education and just, he was talking about this and he's right. We've been writing about this for years.

The Department of Education, I ever since the Institute of the Department of Education, which is a Jimmy Carter era relic, but it goes back several decades before it used to be like the Office of National Education and different things like that. But really ever since the more the federal government has gotten involved in education, the lower educational standards have become. And there's no, there's no disputing that. Nobody can dispute that, right? You could say the same thing about a lot of different things that the more the government has gotten involved in this fast or that fast. You look at housing is another great example. mean, the entire housing department was set up to do what? To make housing more affordable. Housing is now at record levels of unaffordability. So, you know, bang up job there. But, you know, it's like, this is one of these things, it's like, they should abolish all this stuff.

Joe (07:05.262)

That's a joke about the war on drugs and the war on poverty and the war on like

anything the government declares war on expect there to be a lot more of it. So maybe they should declare war on the wealthy.

James (07:15.756)

Yeah, exactly. If they want prosperity, maybe they should declare war on prosperity. Maybe they should really let the communists take over and then we'd have massive widespread prosperity because the government is just so bad at doing anything. So yeah, mean, that's what he was getting at. But I think at a minimum, he started talking about waste and he said, you just get rid of the waste, he said, I'm not even saying we should get rid of all waste, just kind of the obvious stuff. And he said, that alone?

Joe (07:24.334)

Yeah.

James (07:43.826)

is like hundreds of billions of dollars. And he's like, I'm not making this up. Like I have the numbers, I have everything here. Like we saw all this stuff. And so we can get rid of all this stuff. like that's a, you know, that would be a huge benefit, but they didn't do that. You know, these continuing resolutions and certainly the new budget that they're going to pass, all these things are probably going to take and get all of that stuff that Elon was trying to cut and just reappropriate all the spending, all the funding for all of those things.

And so I think, you know, I think they missed an opportunity here. All they're end up doing is as part of the grand compromise when they reopen the government is going to give all these guys back pay anyways. All these air traffic controllers that didn't show up to work, all these guys that basically didn't show up to work, they're going to get all their back pay. So basically it's got a taxpayer funded free vacation. I mean, it's like, what a scam. What a scam all this stuff is. It's ridiculous. And so it ended up being all for nothing. And Schumer is going to get thrown down on his ass anyways. And so even for him, ended up being for nothing. The country gained nothing, Schumer gained nothing. Nobody gained anything from this shutdown, except for the fact that, you you could make the argument that, you know, that's like the media took its attention off of Jeffrey Epstein, you know, and nobody was talking about Epstein anymore, you know, since October 1st, nobody's talking about Epstein. Everybody's talking about the government. So maybe that they got that going. Maybe they go, well, that was worth it. Epstein was out of the news for six weeks.

But I mean, it's crazy stuff. mean, a lot of people don't realize this. think, well, the government shut down, so now it's spending money. Yeah, they are. The national debt in the United States in the six weeks since October 1st has increased. The national debt has increased by more than half a trillion dollars. How is that possible when the government has been shut down? It boggles the mind that somehow in the six weeks of the government shutdown, from October 1st through late November, the US national debt increased by half a trillion dollars. That is staggering to think about. And the government wasn't even running. What's going to happen when the government opens? How high is the debt going to go? How high will the debt spending go? I mean,

it is crazy. And all the stuff, you put all these things together. mean, like the repercussions, the consequences. There's political consequences. There's some illogical consequences in the United States.

James (10:05.684)

the real consequences are abroad is the financial reputation of the United States overseas with America's foreign creditors, with foreign governments and central banks and commercial banks and foreign investors that have been buying to this day, know, tens of trillions of dollars of U.S. government debt. That's the consequence. That's the consequence.

Joe (10:25.846)

Well, so the Democrats also, though, seem to think they have a mandate because of this election that they won in Virginia and in New Jersey. you know, you were saying that hopefully people recognize how much they don't need the government when it's shut down. A lot of those Virginia voters are DC workers because they're right outside of Norfolk, Virginia, and they're the ones that are out of work. maybe those are the hearts and minds that they're winning. Is the government bureaucrats? Are there enough of those to keep them in power?

James (10:52.724)

Right. It was a weird thing. There were a lot of people in the party who viewed that their election results from last week, they won the gubernatorial races in New Jersey and Virginia. And the total margin of victory combined for those two races was about a million votes. And so they think, okay, because we won these two races by a combined total of 1 million votes, that gives the Democratic party some kind of moral mandate that they should continue keeping the government closed, that they're doing the right thing, that they're on the right track. mean, this is ludicrous. In the mind of the leftist, the woke mind virus that's like taking them over, they actually believe that 1 million people in two states gives them a moral mandate over 350 million people in 50 states. It just doesn't make any sense. it's like, but these people, honestly, Elizabeth Warren, Bernie Sanders, they came out with all these things, oh yeah, the American people are with us. We've won the hearts and minds of America and these election results prove it. No, they don't. No, they don't. It proves that people in New Jersey, it proves that 1 million people in New Jersey and Virginia decided to go along with this. you know, in the grand scheme of things, doesn't actually really mean anything. And you know, frankly, it's just even more of an embarrassment.

Joe (12:12.768)

And I mean, I also hope that people would maybe recognize that they don't need all this government. But are most people really thinking about how foreign central banks and how foreign governments perceive the United States? And even if they are thinking about that, do they care? Do they think it even matters? How much do they really even understand where all that money is coming from for the government to borrow?

James (12:35.148)

I don't think anybody has a clue. I don't think anybody's really thinking about that. But I mean, it's big deal. And the reason it's a big deal is because you're talking about a government that has \$38 trillion in debt, \$38 trillion that's increased half a trillion dollars just in the last six weeks. It is an insane level of debt. And it's an insane pace at which the debt is increasing. And so when you need to borrow that much money, the US government, the Treasury Department's constantly having to borrow more money all the time. They're having to borrow more money. And when you're constantly having to borrow that money, you need all the lenders you can get, right? So who are the people that are buying US government bonds? Who are the people that are lending money to the US government? Well, you've got, you you've got, you know, you got the government itself, right? I mean, you've got social security and the defense departments, you know, veterans funds and military retirement funds and these sorts of things. Those guys buy treasuries.

That's a problem because sooner or later, they're no longer going to be net buyers of Treasuries, they're going to be net sellers. In fact, Social Security already is a net seller of Treasuries. That's actually a problem. You've got commercial banks across the United States, Bank of America and JP Morgan. But these guys already ran into trouble by buying too many Treasuries. Bank of America actually has mark to market losses on its Treasury portfolio of more than \$100 billion. This is the reason the Silicon Valley Bank went under because they bought like \$116 billion of US government bonds that they got underwater on, the value of those bonds actually decreased. I mean, people think that US government bonds are a risk-free asset. No, they're not. They're not. They're just as volatile as any stock that's on the market. Stock prices go up and down every single day. You look at Nvidia stock or Apple stock, whatever, the price goes up and down every day. It's the same thing with US government bonds. There's a price of that bond that trades in the marketplace, and the price of that government bond is going up and down every single day. And so you have these banks that loaded up on US government bonds and the price of the bonds fell. So the banks are underwater like, man, we got all these unrealized losses. We got all these mark to market losses and Silicon Valley Bank and Signature Bank.

These guys went under because of that. Bank of America sitting on massive, massive unrealized paper losses, which impacts a lot of things, you know, with their banks. And so like, are the banks going to continue buying on these? No, probably not. So then you got foreign governments and central banks, foreign commercial banks, foreign investors. These guys own tons of US government.

James (15:03.66)

I mean, we're talking north of \$10 trillion easily, and they keep buying more, trillions of dollars every single year. You need those guys. You're relying on those guys. If you look at actually the US Treasury market in terms of the fixed rate marketable securities of US Treasuries, foreigners own like half of that stuff, half. So it's a really, really important lender. And what you need is for your lender to have confidence in you as a borrower.

Foreign governments and central banks, which are buying up half of your fixed rate marketable debt, are all of a sudden looking around and go, okay, let's look at our borrow. Just

pretend for a minute you're a foreign central bank and you're going, okay, we're sitting on a bunch of US dollars. My counterparty, my borrower, the US government, has \$38 trillion in debt, increased its debt by half a trillion dollars in the last six weeks, had a \$2 trillion deficit last year, has such incredible government dysfunction that both sides are at each other's throat. They tried to kill their own president two times, right? They shut down the government. They can't even compromise on the most basic thing, like keeping the government open. They can't even compromise on that. They can't compromise on immigration reform. They can't compromise on budget cuts. The wealthiest guy in the world walked away from his business on a provisional basis to put all of his focus and attention on finding the right cuts in the government just to find the waste and the fraud and they chase that guy out of town. That's how unserious these people are about cutting the deficit. Why would I loan them any more money? by the way, lest I forget, this is also government that's constantly threatening people, that's constantly threatening even allies with whatever it is, tariffs, punitive trade measures; or even things like, we're gonna freeze you out of the US dollar. We're gonna freeze your treasury assets. All these things that they've done in the past to adversary nations and allied nations alike. Who in the world is gonna look at this and yeah, that's a good idea. Let's keep 100 % of our strategic reserve assets denominated in that currency. That's crazy.

Joe (17:09.966)

Well, and yet they've only they've only transferred about two, some of them, maybe five percent of their reserves of US dollars into gold, except for a couple of outliers like we were just writing about. Poland has a target of actually 30 percent now of its entire reserves being in gold. It started at 20 percent. It started with the 20 percent target hit that made another target at 25 percent. Now I think it has 26 percent of its reserves in gold. What would happen if every country decided that was the target, 25 % or even say 20 %? Yeah.

James (17:44.108)

\$10,000 gold, \$10,000 gold. I mean, probably \$20,000 gold. Yeah. I mean, and it's just, these aren't fantastical, crazy numbers. I mean, the reality is you have to think about, again, if you're a foreign government, think about China just for a second. Like China has literally trillions of US dollars in its reserve. You think about reserves as like kind of the national savings that split. like the, you know, their sort of ministry of finance, their central bank, collectively they have trillions of US dollars.

The Chinese at some point are going, you know what, we might be going to war with these people and we're going to hold on to their currency. We're going to own their US government bonds. That's insane because if something happens, what are they going to do? They're just going to steal the asset from us. They're to freeze the asset and we'll be locked out of that and we won't be able to get that money. So like we need to get out of those dollars. We need to get out of those US government bonds.

Right? So they start selling off, they start, let their treasuries mature, they take the money and what do they do? Now they're sitting on this big pile of dollars. What do you do with a big pile of dollars? Well, if you have, you know, if you have a thousand

dollars, if you have a million dollars, even if you have a billion dollars, you have a lot of options. You could buy a lot of different things and diversify that cash into a lot of different assets. If you're, if you're sitting on literally trillions of dollars, that's a, it's, it's hard. It's a difficult job.

It's a difficult job. What can you buy realistically? What can you buy with trillions of dollars? That's a hard thing to do. It's hard to deploy that amount of money. And it turns out that one of the places that you can deploy that money, and now your goal is I need to deploy trillions of dollars, which automatically is a really hard thing to do. On top of that, I need to deploy that money in such a way that I'm not taking on any counterparty risk.

Right? So it's not like I'm going to say, all right, I'm going to take my money out of US government bonds, but I'm going to go buy a bunch of like US real estate. Right? I'm going to go buy up half of California, something like that. No, because then they're just going to steal the land from them. They're going they're going to, they're going to confiscate the land. Right? So you still have that counterparty risk. I'm not going to go and buy a bunch of Apple stock because they're going to steal the shares of Apple. Right? I'm going to go buy a bunch of Nvidia stock. They're going to steal the shares of Nvidia. So I got to buy something that like, I don't have to rely on another government to hold onto that.

James (20:06.816)

So when you put those two things together, it becomes really, really hard. so gold is one of the only things where I can say, well, I can buy gold because I can deploy a lot of money into the gold market. The gold market is big enough. The gold market is trillions of dollars. So I can move hundreds of billions of dollars into the gold market. And I can do that. And I can take possession of physical gold. And I can hold that in my own country.

My own country, in my own vault, so I don't have to rely on any other government. And with the added benefit of gold is a recognized asset everywhere else in the world, right? So, like these central banks that are buying gold, they're not gold bugs. They're not these guys that have the app on their phone and, know, like they're not gold. They don't have a fanatical view about this. This is a hardcore, rational view of my options are extremely limited.

Right? I have to get rid of like lots and lots of US dollars and gold is one of the few ways I could do it. Sure, they could buy crypto, but is the Chinese central bank going to go out and buy tons of Bitcoin? Like, no, they're not going to do that. They're not going to do that because that's sort of antithetical to everything that they stand for. And by the way, they could also get kind of frozen out of their Bitcoin as well. So they need a physical asset. They could buy oil, right?

But the amount of oil that they would have to buy, they would have to spend tens of billions of dollars on tankers and infrastructure and all the things just to be able to store all that oil. So they don't have a lot of options. Gold is an option. Platinum is also

an option. Platinum is getting a lot higher price. mean, there's certain commodities that they would buy that are very strategic in nature. And that's why they're doing it. That's the entire reason why they're doing it. They're losing confidence in the US and gold is one of the, and again, all these things.

The shutdown, the, you know, just the dysfunction between the parties, the lack of ability to take anything seriously, to tackle the deficit and even the waste. All this stuff is making foreign creditors, foreign government, banks up. Nope, I'm out. And they're buying gold and they're buying a lot. And it's not just China. It's not just the usual suspects. There's actually, mean, like, it's like people think like, it's just China and Russia. No, it's not. China is still buying some gold. Russia is actually selling gold right now. You mentioned Poland.

James (22:25.196)

I mean, it's like, it's actually kind mean, Kazakhstan, Ghana, I mean, all these countries around the world that you wouldn't expect that are buying lots and lots and lots of gold and they're buying it by the metric.

Joe (22:38.742)

There's also a few that are selling. You mentioned Russia, probably to fund its wars, I guess.

James (22:42.94)

You got three central banks that sold, right? And one of them is Russia, and it's because they're broke and they have a war to pay for. So they're going around tapping there. And they're also frozen out of the global banking system. They're frozen out of the SWIFT system. So they kind of have to resort to gold in some respects almost as a medium exchange. So it's easy to understand why Russia is selling gold. Another one is Uzbekistan. And Uzbekistan actually, in terms of its foreign reserves, Uzbekistan probably has one of the world's highest percentages of its strategic financial reserves denominated in gold. And it got to the point where because the price of gold went up so fast, so high, so quickly, the central bank in Uzbekistan had to go, man, now we actually have too much gold. We actually need to diversify a little bit because now our gold holdings, I think I read somewhere it was like 80 something percent. There might've been Grok that told me that actually. So, you know, Grok isn't right all the time. So take that with a great.

Joe (23:38.254)

So who knows if it's true or not.

James (23:41.996)

With due respect to Elon grocks not right all the time.

Joe (23:46.39)

Is Uzbekistan a miner too? Is it a mining country? So like, were they getting cheap gold and now it's so expensive that they say, well, let's sell a little bit and grab a little bit of that money for some infrastructure.

James (23:54.316)

Yeah, they'll mind a lot of things. Yeah, they'll mind a lot of things. And of course, they have to, at a certain point, they had to rebalance, right? Where they say, if their target is, want to keep 50 % of our reserves in gold, and now we're up to 80%, because the price of gold went so high, at a certain point, they have to rebalance and say, man, shit, we got to offload some of this gold now, because we have too much of it. We're too exposed to gold. We're not diversified enough. Most countries, they need to diversify because they're too exposed to the US dollar. They have the opposite problem. Most countries on the planet are too exposed to the US dollar and they're looking at this going, you got the shutdown, you got the deficits, you got the debt, you got the political infighting, you got the dysfunction, you got all these things. We have to diversify from the US dollar. Uzbekistan had too much gold, said, we're now exposed, we need to diversify from gold. So, it's easy to understand that. And the last country to do it was Singapore. And Singapore, you know, they're central bank, most central banks are buying gold they buy it as a strategic asset. And it's not to say that they buy it completely irrespective of price. They're not totally stupid. They're not just going to keep buying it at all-time highs. At a certain point when the price of gold has gone up so fast, a lot of central banks are going to go, let's slow down a little bit and see what happens and maybe we can get a dip and we can buy the dip. In Singapore, they're very, very clever. They're extremely clever. Like the people that are running these institutions in Singapore, they actually attract very promising, very talented, intelligent people.

Whereas like, if you're like a top, top, you know, super genius financier, you're probably going to go, you know, work for, you know, commercial bank, investment bank, you know, in Singapore, you'll get very, very smart people that actually go work for the government because the financial incentives are actually very strong in the government. You can actually do very, very well in the government. And so, yeah, like they'll be traders. And so they might look at it actually in their central bank and the monetary authority of Singapore, for example, and go, hey, you know what? We made so much money on gold. Let's sell a little bit. And then, you know, if gold goes down, you know, let's sell a little bit at 4,200. And if gold goes down to 3,600, then we'll buy the hell out of it and we'll increase our holdings. We'll actually make money on this. So, they're actually a little bit, you know, they might actually look at the world a little bit through the lens of a trader. Most central banks aren't going to do that because they know they don't have the in-house expertise.

James (26:14.922)

Right? So they're buying strategically, not necessarily for financial gain. Singapore, they'd be buying strategically and for financial gain. And if they see an opportunity to do so, then they'll do it.

Joe (26:24.79)

It also sounds like you think there's a pretty, there's kind of a built in bottom here for gold. It wouldn't go below a certain amount because at some level, the central banks are just gonna jump back in and say, it's time to start again buying all this gold

because now the price is right.

James (26:39.308)

I think if you had a significant correction in gold, that central banks would step in and buy the hell out of that dip, whatever that is. And I think that's probably one of the reasons why, when there was that sort of mini, the price fell ever so slight, it was like 39.50, when gold came down at the very end of October, early November, and then all of sudden what happened? It just shot right back up. Why is that? My guess is you're probably going to see a lot of central bank buying in the month of November.

Central Bank stepped in, they started, said, oh, there's an opportunity. And it might even have been those guys in Singapore that had sold a bunch of gold at like 4,200 and then went back down and bought it at 3,900 and said, hey, we can make money on this. So I think any dip, is it possible that there's a significant fall in gold? Yeah, of course. The thing you got to understand about gold is that there's a lot of speculation in gold right now that's literally at a record high.

Joe (27:26.542)

What would it take?

James (27:33.42)

If you look at the futures markets for, especially in September, October, coming into the end of October, there was record high speculation in the comics and futures markets, with people bidding on futures contracts with gold. And because of those futures contract, you get a lot of leverage. So the overall notional value of the contract is much higher than the actual cash that's transacting in the system. There's leverage, essentially. You can put up a dollar and end up speculating on much more than a dollar's worth of gold in these types of markets. It's not like going down and you go to a coin dealer and say, you know, here's \$4,000, \$4,500 for this coin, you know, at \$1 equals \$1 worth of gold. In futures markets, there's leverage, right? You can, you know, you're essentially borrowing money and speculating on this. And there's record amounts of leverage, which means that there's algorithmic trading that's involved. And so like you could have, just as we've seen flash crashes in the past when it comes to stocks, all of in middle of the day, everything's bumping along and like the SP500 just collapses like 10%. And then it shoots back up. You know, after that, those are called flash crashes. And that's when the algorithms go haywire, know, Skynet wakes up and becomes self-aware, basically. So, these sorts of things, they're prone to happen. And I wouldn't be surprised if that happened in the gold market if you had a flash crash because there's just so much speculation, there's so much liquidity in the gold market right now. You could also, but I think that would be very, very short-lived.

I think you could also see some short-term traders, retail investors that have gotten involved, you they bought the hell out of the GLD and IAU and a of these big ETF funds. And I think they could go, you know what, I've made a ton of money in gold, so I'm just going to start selling. And a lot of times that selling can be reflexive. It becomes a self-fulfilling prophecy where some selling creates, you know, the price declines because they're selling. The price decline triggers more people to go, geez, I

should sell.

It means the price goes down even more, which makes more people go, oh, geez, I should sell, which makes the price go down even more. That's called reflexivity. And that can be a self-fulfilling prophecy. So something like that, yeah, you could see a price decline. I've run some models on this. And I think you could have literally several hundred tons of gold get liquidated through the ETFs in a relatively short period of time, even over a span of a couple of weeks. And you'd still have like \$3,800 gold.

James (29:59.66)

Right? So, it's in, and I think if you get to \$3,800 gold, think the self-fulfillment prophecy reverses, I think the central banks come in and start buying aggressively at \$3,800 gold. Cause they're going to start together. This is cheap. Cause they understand where this is going. Right? People in the U S don't have a clue, but foreign governments and central banks know that there's going to be a day in the not too distant future where the U S dollars no longer the dominant reserve currency.

Joe (30:10.862)

Starts looking cheap again.

James (30:26.866)

And they don't know what the global financial system is going to look like. They don't know what Bretton Woods 3 is going to look like. But they're looking around saying the one asset I can rely on that I know has universal value, that I don't have to take the counterparty risk, that I could literally spend hundreds of billions of dollars and buy up an asset is gold. You could kind of do it with platinum. And I think there'll be people that do it with platinum as well. I think you'll probably be central banks and foreign governments buying platinum. Because platinum is also a strategic asset. If you believe in the internal combustion engine and the automotive industry, you need lots of platinum. So they go, hey, we can buy platinum. Worst case, we sell it to our own automotive industry. Who would do such a thing? Most likely China, because they have a massive automotive industry. And they are trying to push everybody to electric vehicles. But in the meantime, there's still lots and lots of use for platinum. So I could see them using that as an industrial middle and a strategic asset at the same time.

Joe (31:19.214)

What's been interesting though about the like many sell off in gold was that the gold producers sold off even more even as they were still raking in record profits. So it just didn't make any sense from a logical standpoint when you looked at. Well, we didn't know yet because the third quarter results hadn't really come out yet. But now I mean, you see what the price of gold is and you and you see how many ounces they have to sell.

James (31:38.666)

But we didn't know.

James (31:43.617)

We knew.

James (31:47.134)

I mean, this isn't a time to be modest. mean, we've been talking about this. We've been saying very explicitly, gold miners are going to come out with Q3 earnings and the Q3 earnings are going to be freaking amazing and their stock prices are going to go up. And so, what happened? It was a very, very interesting thing, right? In late October, the gold price fell and not by that much, but mean, it was a fall.

And a lot of these mining stocks just tanked because people said, oh, that's it. The gold craze is over and these mining stocks tank. And then Gold Prize came back. The mining stock started to come back a little bit, but then they started reporting their earnings. mean, Barrick just the other day reported its earnings. And what a surprise. Barrick reported record profit, record operating cash flow, record free cash flow. Who could have possibly predicted that a gold miner would have had record cash flow on the heels of it? We would talk about this forever.

We've been telling people this, like, you need to consider this. This is so obvious. They're giving these companies away. And what a surprise. People said, wow, geez, Barrick is making a lot of money. And the stock price went up. Duh, this is exactly what we've been saying is going to happen, that these miners are going to report their earnings. Their earnings going to be insane. They're going to report record earnings. And the stock price is going to go up. This happened with a silver company that we showcased in our premium research.

They put out their Q3 earnings, their stock went up 20 % in a day off of this because it's like all of a sudden people will come and say, oh, wow, these companies are making a lot of money. Yeah, duh, duh, they're making a lot of money. And it's actually relatively easy to figure out how much money they're going to make. It's relatively easy to model because these companies say, here's what our cost of mining is. In the case of Barrick, they put it out and they say like, it's a range, but they say, let's call it around \$1,400, \$1,500 an ounce as they're all in.

Sustain cost AISC is about \$1,500 an ounce. And they also give guidance and they say, here's how many ounces we expect to mine this year. So you just do the math and you go, okay, if the gold price is X and they're mining it for \$1,500 an ounce, then that means that this is how much they're making per ounce. This is how many ounces they're mining. you multiply it by that, you multiply their gross margin by the number of ounces.

James (34:09.376)

And then you subtract some basic, you know, fixed costs, overhead, et cetera, and you get the profit. And it's like anybody can do this math and figure it out.

Joe (34:18.784)

And Barrick was actually only selling their their the price of the gold, the average

price of the gold that they sold last quarter was, think, thirty four hundred dollars.

James (34:26.764)

3450, 3425, 3450, yeah, exactly. That was the average price because again, in Q3, right, this is third quarter. So this is July, August, September. Well, in July, the price was lower and August started going a lot higher and in September it went to the moon. I mean, at \$3,400, Barrick posted record profits at \$3,400 gold. What's the price of gold at? So far, 4,000, right? That the average price of gold so far in Q4,

Joe (34:48.662)

And right now, they're selling it.

James (34:55.916)

You we're like basically halfway through Q4 is over \$4,000. So if they posted record profits at \$3,400 gold, what's their price going to be at 4,000? And yet on the backs of \$3,400 gold, they had record profits, record free cashflow. They increased their dividend by 25%. They increased their stock buybacks by a third, by 33%. They, I mean, it's insane. They actually, increased their base dividend, I think went from like 12.5 to 17.5%. I mean, it's like these guys are making money hand over fist and they're returning a large portion of that to the shareholders, right? So, I mean, you could look at this and say, well, geez, well, what happens if gold falls to... what happens if there's a massive crash and gold falls to \$3,500? Well, they would still be exceeding their Q3 earnings, which by the way, were record earnings. So, there could be a significant crash in gold prices and these big companies like Barrick would still be making money hand over fist, would still be paying huge dividends, would still be engaged in stock buybacks, et cetera. this is, mean, we've been talking about this and anybody's been listening to these podcasts, we've been saying this to anybody who's been willing to listen. Like, and this goes back to like, I mean, more than a year ago when a lot of these mining stocks, they were giving them away. And you know, Barrick is up.

You know, Barrick's more than double this year. I mean, its stock performance has exceeded Nvidia, exceeded Palantir, exceeded all these big, darling AI tech stocks. And, boring old Barrick has performed better. Its earnings growth has exceeded that of Nvidia and all these companies.

Joe (36:36.424)

This is a stock you own, Barrick and other majors.

James (36:39.958)

Yeah, we own a lot of majors and we own a lot of these smaller ones as well. Our investment research. So, I mean, I'm going to talk about these like, I mean, just if you're looking for big major, you you don't really, you know, like, you don't really want to do any research where there's a lot of the, you know, there's a lot of the, I mean, I think you should always do research. Don't ever not do research, by the way. You should always understand the companies you invest. My rule of thumb is if you're going to buy, you should buy a single share of a company as if you were buying the entire company, right? You should look at this and say, is this price I'd be willing to

pay for the entire county if I could just buy all the shares of this company if you just happen to have \$60 billion lying around, would I be willing to spend that money to buy all of this business and just keep it as my own personal business as it is right now? That's how you should go in and buy a single share and you should understand everything you can about that business. But you know, the easiest ones to understand, you know, the safest ones, the highest quality ones are these, you know, these big companies have been around for a long time, Barrick, Newmont.

Anglico, Harmony, Franco Nevada, these are some of the biggest and best names out there and they're making tons and tons and tons of money. They're not the cheapest. They're not the cheapest. I think they're still undervalued. Barrick right now, if you kind of project its earnings forward based on \$4,000 gold, is only trading at like eight times, seven, eight, nine times earnings.

That's pretty cheap. That's pretty cheap. It's not insanely rock bottom cheap, but that's pretty cheap, you for one of the biggest names in the mining sector. Our, and you know, again, like, and we own a lot of these, our investment research focuses on the smaller companies, you know, the companies that are often overlooked. And, you know, they're too small for ETFs and major institutional investors and things like that. But man, I mean, this is to us, like, this is where the value is.

We've had companies that are up, you know, four, five, six X that if you look at their forward earnings, they're still trading at like three times forward earnings, you know, if you look at like \$4,000 gold, I mean, and by the way that I mentioned, they pay massive dividends, you know, they're debt free. They're very well managed. They pay dividends. They're trading at three times forward earnings, four times forward earnings, you know, I mean, and there's just still explosive potential and some of these haven't reported their Q3 earnings yet.

Joe (38:46.221)
Yeah.

James (39:06.844)
So this is where we play our investment research because anybody can tell you like, yeah, Newmont, you know, whatever great business, Barrett great business. And you know, these are solid companies. These are solid companies. Franco Nevada is a fantastic business. mean, there's a lot of, it's a different type. Franco Nevada is a different type of business. It's a royalty type business as opposed to straight up minor. But in terms of gold companies, gold businesses, there's a lot of different types and a of these major ones, you know, they're worth considering. And so if you're listening to this, like, yeah, go out and look at those.

If you're interested in some of the, you know, small and more overlooked and where there's just ridiculous amounts of value, this is where our, you know, our investment focus, our research focuses, because they're just the kind of the overlooked corners of the space. I mean, there's hundreds, if not thousands of mining companies out there. A lot of them are really crappy. We focus on the best managed, the highest quality, the

cheapest producers, the guys that will be able to withstand if the gold price falls to \$2,000, these guys are still making tons of money.

I mean, there's one of them we were talking about, like the gold price could fall below \$3,000 and they'd still be trading at like five times earnings, at \$3,000 gold and they were still making money.

Joe (40:13.07)

Because a lot of them already survived the last round of that because it wasn't that long ago that gold was at \$1,800. And these companies were the ones that were still producing. And the market kind of consolidates when that happens, right? Other companies will get out of the space and the ones that have the cheapest, best-run companies end up taking a lot of the market share.

James (40:32.844)

The guys that are very smart, they understand these things are cyclical and this is cyclical. Like I'm not here to tell you like, you know, that any market's going to be up and hot, hot, hot until the end of time. Things are always very cyclical. What happens is when something gets really hot, new producers come in and you get all kinds of new production. There's going to be gold miners left and right, new discoveries, all these things coming up. If Barrick was actually bragging about a new discovery that they have that's, I mean, pretty historic.

So more supply comes onto the market. As more supply comes onto the market, naturally the price is going to go down. That's the sort of thing that happens. It happens with oil. It happens with natural gas. It happens with copper. happens with anything, anything, anytime anything gets hot. I mean, even AI, it's like there's new producers that come into the marketplace and ultimately the prices start to fall. And so you got to understand that. And the smart guys in these industries, they understand that everything is cyclical. And so they use the tough times.

They watch their competitors go out of business and they go, geez, hey, let's use the cash that we have to like buy up the trophy assets of our bankrupt competitors that couldn't handle the competition. And let's buy those stuff. So they increase their supply. They increase their, you they create growth opportunities in the future. Then the prices turn, the market turns, prices start going up. Now they're making money hand over fist. They use that as an opportunity to build up their cash position to save for what will inevitably at some point down the road, even if it's many, many years from now, will eventually be more difficult times where there's consolidation in the industry. So they use the good times to build up a cash position and the bad times to consolidate and grow their market position. All along the way, the really, really good ones maintain enough profitability to continue to be good to their shareholders. And they say, you know what, we're still, even though the price is down, it's not a good time in the marketplace, we're still making enough money to increase our cash position and pay our shareholders, you know, a healthy dividend. And those are incredible businesses where you look at management, you look at, you know, boards of directors and their wealth is not tied up in their salaries and bonuses, but it's tied up

in their ownership of the business. It's tied up in the dividends that they themselves receive. They're completely aligned with the shareholders and their financial incentives. Those are the kinds of businesses that you want to own. And that's what we focus on in our investment research, are these gems where you go, man.

James (42:50.944)

I want to be in business with this guy. They're so shareholder friendly. They really take care of the shareholders. They're really smart and the way that they grow the business over a long period of time. It's not just a fly by night, you know, hot stock, you know, of the day. Like these are guys that have a track record of over, you know, 10, 15 years cycles of being able to grow the business. And that's the thing to understand. Again, that's what our research focuses on. I talk about it because we're really, really proud of it. Like, I mean, our returns have just been phenomenal. We've had companies that are up three, four, five, six X.

Lots of companies that are up, you know, four, five, six X, literally just this year alone, you know, let alone from like the time that we recommended them. There's a few just in full disclosure, they're actually down a little bit. We don't think necessarily because these are bad companies, there's actually one that's down to our astonishment, we can't believe it, that it's down. So, and we look at this and say, this is a tremendous opportunity. This is an amazing management team. They've been doing everything right. And just, you know, for whatever reason, the market just doesn't like it. I would just, is an investment lesson aside, I personally am not somebody that gets too caught up in what the stock price is of anything. A stock price is a reflection of what somebody else thinks an asset is worth. And I could care less what somebody else thinks an asset is worth. You I know what I think it's worth. And my what I think it's worth is based on very careful analysis. And I know that most people don't do that kind of work. Most people just, you they buy and they sell stuff and they do very, very little work. And we do extremely careful analysis.

So that's why you get opportunities from time to time where something is ridiculously undervalued, great business. You think like, wow, this is undervalued now. Then the stock price actually goes down a little bit. That happens from time to time. And so there's a couple of those that are the case in our research. And right now we just think those are opportunities. We haven't had to say, boy, wow, did we get that one wrong. This turns out these mining companies were terrible and we should sell them.

A lot of these, again, have gone up two, three, four, five, six X. And these are silver companies, platinum companies, gold companies. Some of them are service companies, you know, just the kind of selling shovels to miners kind of thing. I mean, really great businesses to be in. And we also diversify into other, you know, industrial metals. I mean, we've we've done zinc, we've done iron, we've done tin, we've done fertilizer, you know, some some agriculture businesses, things like that. So a wide range of real assets. And we think that in this particular moment in time when you're looking at the largest economy in the world, probably entering, know, maybe entering recession, maybe kind of some stagflation, the economy is slowing, the ADP report came out, you know, showing like jobs, you know, there's a lot of job losses out there

in the private sector. The unemployment rate is still low, but there's job losses in the private sector, the economy is slowing, inflation isn't going away, you know, this is kind of overtures to a stagflation environment.

You've got massive debts and the largest superpower in the world that's probably going to lose its reserve currency status. This is a time to own real assets. mean, real assets generally perform very well in that environment and, you know, it makes sense to own. We talked about a lot of names today in the gold mining space, Barrack, Newmont, in Franco, Nevada, these sorts of companies. And then again, if you want to look at the really, you know, the really hidden gems that are overlooked because they're a lot smaller, I'd really encourage people to give our research a try.

It is really, really good. And of course it comes with a money back guarantee.

Joe (46:14.503)

Thanks, James. Appreciate it.

James (46:15.724)

Okay, all right, we just stop there. Thanks for listening.