Joe (00:00)
So James, a couple of years ago, you started talking about gold when it was at about $1,800 and saying that central banks were gonna start buying more of it because they didn't trust the US dollar. That's actually exactly what happened over the next year and gold started rising really quickly. After that, you said, you saw that gold companies were not going up at the same rate that physical gold was going up at. And you said, well, that just shows what I was saying. It's that central banks are buying the physical gold. They're not buying gold companies. And then at that point you said it would be an intelligent move to get into some of those investments. So this is the long-term thinking with gold. You don't think that's slowing down anytime soon, right?

James (00:44)
The whole thesis with gold is we've talked about this a lot and I don't want to completely rehash this, but I mean, if you've seen this for the first time, it's really simple. mean, foreign governments and central banks hold a massive chunk of the U.S. national debt. They own a bunch of U.S. government bonds. Foreign governments and central banks. Foreigners own, I mean, it's like 50 % of fixed rate marketable U.S. government bonds is owned by foreigners. It's a lot.

And they do so because since 1944, the US government has been, you know, had this pristine credibility. The US dollar has been sacrosanct. was unimaginable that there could ever be any problems with America. And, know, for the last, I mean, let's be honest, it's been the last couple of decades, really. I mean, you know, the US government last ran a budget surplus like a quarter of a century ago, and it's just been downhill from there. But now they look at it. It's definitely feels different now than it has in a long time. And you got foreign governments, foreign central banks, they look at the US, they look at Congress, Congress is a disaster. There's infighting within their own parties. They run multi-trillion dollar deficits now and like nobody gives a shit. In Congress, they go, it's another $2 trillion deficit. And nobody says a word about it. I mean, there's a handful of people, know, Rand Paul has a big problem with it, you know, and there's a handful of people. But for the most part, Congress runs these massive deficits every year and couldn't possibly care less. There's no will to fix it. There's no will to do even the easy stuff. We talked about immigration reform before. This is the thing that literally every politician says, America's immigration system is terrible. It needs to be reformed. They all universally agree on that. What have they done about it? Absolutely nothing. And if they can't even fix the thing that they all agree needs fixing, they can't even do the thing that they all agree needs to be done, what are they gonna do about spending? You got half the people say from my cold dead hands, are you gonna take Sesame Street?

And then you have some other people say, we need to make cuts, but they can't agree on anything. And foreign governments and central banks, they look at that and they go, why am I still buying your debt? Why am I still financing your deficits? This is crazy.

Joe (02:54)
Did you actually think it was gonna even take this long for foreign governments and

central banks to say that? did you, at some point, did you think it was, yeah.

James (02:59)
Well, I was early. I was talking about this 10 years ago, you know, and I was like, oh, this is going to, you know, I mean, but I've been early on a lot of stuff. mean, admittedly, I've been early on a lot of stuff, but you know, I've eventually been born out pretty, pretty, pretty right on a lot of this that, you know, it took a lot longer than I expected. But mean, I was talking about like, you know, in 2015, like, Hey, there's going to be problems for the dollar. The foreigners are going to want to back away. Yeah. Okay. Fine. It took until like 2023.

when we really started to see the cracks. And that was it really. mean, you know, the Biden administration did a lot ~ to really kind of put the dollar and the government's credibility over the edge. When they saw this guy, you know, turn and shake hands with thin air and fall up the stairs and fall down the stairs and go and, you know, I don't know where I am. just, you had to have Obama like corral him off the stage, you know, next to Clooney and all that kind of stuff. And, you know, foreigners are going like, my God we actually loan those people money. We give money to that guy, and it's scary. The other thing, and we talked about this before, frankly, has been the sanctions, the sanctions and how it started, you know, it's not a single person. It's not, it's not a Trump or Biden thing. It's not an Obama thing. It started really, I mean, with the Bush administration. It started with the Patriot Act in 2001. And they said, you know, well, if we suspect something, you know, we're going to start freezing financial assets. And it just went out of control. Obama took it to a higher level where, you know, if some foreign country or some, big bank or big company in foreign country did something that the Obama administration didn't like, they would go and freeze them out of the banking system, freeze their just get control of that And Joe Biden took it to an even higher level.

Where it's like, we'll freeze your government's assets. If you foreign government do something that we don't like, we're going to freeze everything you've got in the US. And we know you have a lot of assets in the US because you've loaned us a bunch of money. You own government bonds. And so we're just going to freeze those bonds. And so when you start freezing the loans that your lenders have made to you, and you start punishing them by saying, we're not going to pay you back,

Why would anybody loan you money anymore? And the analogy that we've always used a lot is like, you just imagine that you've got all your savings or a big chunk of your savings in some bank. And like every month your bankers calling you up saying, hey, Joe, I just want to let you know, if you do something I don't like, I'm going to freeze your account. I don't like that Facebook post you made. I don't like that podcast you did with James. I'm thinking about freezing your assets. I'm thinking about freezing your account. Like, you're probably not going to leave all your entire life savings in that bank, you're probably eventually going to close your account if you can, right?

Joe (05:53)

And so how did you know that instead of so they're going to pull back and they're not going to want to give money to the US. How did you know it was going to be gold that they put that money in instead of, say, a different currency?

James (06:06)
A lot of people, I've been saying this for a long time. I've been saying the whole reason like why do they all own dollars? The reason all these foreign central banks and foreign governments own dollars is because tradition, the dollar is the global reserve currency because in 1944, practically every country on the planet got together in a room in Bretton Woods, New Hampshire, and they all signed papers that said the dollar is going to be the global reserve currency. What does that actually mean? Foreign governments and central banks.

Americans don't understand the concept of what reserves, what a reserve, and the US government doesn't have any reserves. No, no, the US doesn't have any reserves. The US is the reserve, right? The US has infinite reserves because they can just go and just create more money, right? But every other government in the world has to have, I mean, it's, in a way it's like, it's kind of like monopoly. You know what I mean? It's just like everybody else has to have.

Joe (06:39)
Right, right, does America have? Okay, I didn't think so. The bank does not run out of money.

James (07:03)
The bank's never going to run out of money. so America is the bank in this case. America is the bank. It actually, it's kind of funny. I mentioned Monopoly. ~ If you read the instructions, I haven't done this in a long time, but if you read the instructions in Monopoly, actually says something about like, because you get those little colored pieces of paper, there's the $500 one, $100 one. It actually says like, if the bank ever runs out of cash, well, that's okay. You just write it down on a piece of paper.

The bank doesn't actually need to have the money is right because the bank can never run out of money. And that's exactly the point. And so America never runs out of money. They can just create more. so every other, you know, if you're Costa Rica, if you're Bangladesh, if you're Zimbabwe, if you're any of these places, Venezuela, like you've got to have some kind of savings. And that's what that's what reserves are. They call them foreign reserves because it's like it's not in your local currency. You know, the country of Colombia, for example, their government, their central bank, they have foreign reserves because it's like, it's not held in Colombian pesos. It's held in primarily US dollars. US dollar is the global reserve currency because they said so in 1944. And that was just the tradition for like eight decades of this. This has been the tradition. The other reason why, of course, is because there's so much international trade that's done with the United States. So, know, Columbia is exporting flowers, coffee, all these things to the United States. And so because of that, they'll, do that deal, all those deals, they do all the trade and everything is settled, the invoices are paid, everything in US dollars. So you have some US importer dealing with a

Colombian whatever coffee exporter, flower exporter, and that settlement happens in US dollars. So the Colombian company will do that entire deal and will receive US dollars in payment, right? And so because of that, in the Colombian banking system, there'll be a bunch of dollars pile up, the central bank ends up with a bunch of dollars.

So what do they do with those dollars? They hold on to them. They hold on to the dollars. They go and they buy US government bonds with those dollars because US government bonds are considered the risk-free asset, the safest asset class in the world. So basically, you get all these, I'm using Columbia as an example, but it works the same with every other country. Colombians, flower exporter, coffee exporter, they'll take in a bunch of US dollars because their US customers are paying them in dollars. The Americans aren't paying in Colombian pesos saying, hey, I'll give you 20 bucks for that pack of flowers. I'll give you $10,000 for that crate of coffee, whatever. And so these Colombian companies, pile up dollars, and those dollars end up in the Colombian banks, which ends up in the Colombian central bank. And so, and they go, what do do with these dollars? They buy US government bonds. And over time, now you have these foreign countries, these foreign central banks, they saw a guy shaking hands with thin air. They saw the sanctions and more sanctions and more sanctions. They saw Congress passing laws.

Authorizing the executive branch to freeze assets for any country that does something that America doesn't like. You know, they see these deficits spiraling out of control. They see a $37 trillion national debt right now, today. They see another $25 trillion in additional debt coming over the next 10 years, according to the Congressional Budget Office. That's not a conspiracy theory. That's the financial analysis division within the United States Congress.

That says we will have based on current plan, an additional $25 trillion in new debt over the next 10 years. And if you're not paying attention to the math, that's $62 trillion for a US national debt by 2035. That's a lot of debt. And they're looking at this going, man, you're spending 22 % of tax revenue today, this fiscal year, which ends in a couple of weeks, just to pay interest on the current debt. And that number is just going higher and higher. It's going to be 25%, 30%, 35%. I think within eight to 10 years, we could easily see 40 to 50 % of all federal tax revenue going just to pay interest on the national debt. And oh, by the way, then social security is going to go bankrupt. Social security's major trust funds are going to run out of money. And you're going to need a multi-trillion dollar bailout. And a certain point, if you're one of these foreign central banks and you're sitting on stockpiles of dollars, you're going to go, maybe we should do something else with all this money.

Maybe we should do something else with these US dollars aside from loaning these dollars right back to the US government so that they can just pretend that there's not a problem. They can pretend that they can just keep doing this, all these, this sort of fiscal irresponsibility until the end of time. Maybe we should do something else. And that was our hypothesis was they're gonna do something else and that something else is gonna be gold. And there are some pretty specific reasons about why.

Joe (11:46)
And ~ but once that started happening and you saw that the companies, the gold companies weren't getting part of this rally, gold itself is going to all time highs, but the gold companies aren't going to follow the same long-term trajectory as gold itself? Because I think what you're saying is that this isn't gonna reverse. Congress isn't gonna just magically get its act together. It's not just going to suddenly restore faith in the US dollar. is buying into these undervalued gold companies, is that the same as buying gold long-term?

James (12:25)
In a way, yeah, like look, to me, if I own a business and that business is able to mine gold for $1,200 an ounce, I'm effectively buying gold for 12, by owning that company, I'm effectively buying gold for $1,200 an ounce. So that's a good deal. If gold's trading at $3,600, which it is, that's obviously a very, very good deal. And this is something we pointed out early on, going back a couple of years now, we said, look, gold is getting high.

It's going a lot higher because of this idea that foreign governments and central banks are going to buy gold. They're going to start reducing their US dollar holdings and they're going to buy gold. Guess what happened? Foreign governments and central banks reduced their dollar holdings and they use that money to buy gold. We knew it was going to happen. Again, we were talking about this, I mean, like 10 years ago and it took a while, but it happened. It happened. as we started seeing, we started seeing a lot more of that data like in 2023, kind of mid, early, mid, late 2023, we started talking about this a lot more said, this is happening. This is really, really happening. And there reasons why, right? Because gold is ~ really easy. If central banks need another reserve asset aside from US dollars, gold is like the easy, they're not going to hold renminbi, right? These guys don't trust China. They don't trust the CCP. They don't trust Xi Jinping. They're not going to hold Russian rubles. They're not going to hold Indian rupee. They're not going to hold any of this stuff. India's got

You you got capital controls, you got all kinds of like, none of these other currencies in the euro, forget it. You know, the euro is a basket case. got, you know, dozens of countries, you know, every one of them has a different economic policy. You know, there's a complete void of leadership. And you talk about a continent that can't even manage to summon the political courage to protect little girls from predators. You know, they've opened up their borders and completely sacrificed themselves and their cultures on the altar of wokeness.

Nobody wants to buy these bonds. This isn't going to displace the dollar. And what people have said for a long time, I was saying this 10 years ago and people said, no, the dollar is never going to lose its reserve currency status. Why not? Well, because there's no alternative. Well, since when did that matter? Since when did there need to be an alternative to anything? There have been plenty of reserve currencies throughout history.

Before the dollar was the British pound, before the British pound, you had the Dutch

Gilder and the Spanish Rialdo Ocho and so on and so forth. And a lot of times there was always an overlap. One ~ currency ~ from a stumbling, declining country that used to be the reserve currency got replaced by this up and coming country. Britain became the dominant superpower in the 1800s and so it replaced the Dutch and replaced the Spanish and so forth. And that was the obvious thing because Britain became super powerful and the United States dollar became the global reserve currency.

Sure, 1944 formally, but people were using dollars in international trade and transactions way before Bretton Woods in 1944 because the US was becoming clearly to everybody the dominant global economy and Britain was clearly to everybody in decline. And so this is what usually happens. You have reserve currencies kind of pass each other in the night. You got one on the way out, one on the way up and eventually over time, one displaces the other. But if we go back to history, a really long way, right? Let's go back to ancient Rome. The Roman currency was called the denarius and it was a silver coin and it was supposed to be like four, four and a half grams, something like that of silver. They minted this thing early on in like the third century BC. They were at war with Carthage, Hannibal was coming over the mountains with his elephants, just vanquished the Romans at the Battle of Cannae. In the midst of all this chaos, the Roman government, they were still a republic and the Senate got together and said, hey, you know what?

let's create a new currency, which seems like an odd thing to do in the middle of all that war. But they did it anyways because they knew that a currency, strong currency was necessary to have a strong military. They said, we can't have a strong military if we don't have something to pay the soldiers with, to pay the people that are going to supply them with food and so forth. We have to have a strong currency, to have a strong economy, to have a strong military. They view this all in the same way. And they created this currency. actually, it wasn't the Senate, it was actually a board. There was a board of three people.

Ancient Rome that kind of oversaw the value of the currency and they created this currency specifically to sort of mirror one day's wages, one day's cost of living essentially with this was single denarius silver coin that was enough to get you by for a day. So that became the day's wages for a Roman soldier and for laborers and skilled artisans and so forth across the empire. And initially it was almost pure silver. It was the highest standard of highest metallurgical standard there was available pretty much at the time.

Then you get to that. It lasted for centuries, but quite famously when you got into the imperial days and Nero and all these different people, eventually they started debasing the currency until, according to some historians, you get silver content all the way down to like 5 % from like 95, 98%, all the way down to 5%. And there's a certain point where Rome is clearly on the way out, but there was no up and coming rival country.

So you had this unique situation where unlike, you know, the pound is on the way down and the dollar's on the way up, you didn't have anybody else on the way up. So there was no, you know, people just stopped using the denarius because it was so debased, but there was nothing else to replace it with. So this argument of like, there has to be an alternative to this currency, to this reserve currency didn't actually hold true at all. And sure, this is like a long time historical example, but it shows like the human nature. People just figured it out.

And in terms of day laborers, you know, you say, well, I'll work on your project, but you've got to pay me in chickens. you know, let me have a dozen eggs and you can have my labor for the day, you know, kind of thing. know, foreign kingdoms, they figured it out. They started settling in their own currencies and they just figured it out. And that's what happened. So you this period of time where you didn't actually have a, know, quote unquote, global reserve currency or a regional reserve currency anymore. And I believe that's the situation that the world is facing today that people say like, no, the dollar is going to stay as the world's reserve currency because there's no alternative. Yeah, you're right in that there's no alternative because people don't trust the Chinese Communist Party and people don't trust Russia and people don't want to deal with capital controls in India and all that stuff. But who cares? Who cares that there's no alternative, right? That doesn't need to be an alternative because the alternative basically is gold that foreign central banks that are sitting on literally trillions and trillions and trillions of US dollars of reserves that they use to stabilize their local currencies and settle international trade and provide confidence to foreign investors and shore up their balance sheet. These are what reserves are for. The US doesn't have any of that because they have the reserve currency. But every other foreign country in the world, they've got this pool of savings that they can use to defend their currency in foreign markets and so forth that they have to. Well, guess what? Gold ticks all of those boxes with the added benefit that it doesn't come with all these strings attached. It doesn't come with all this drama.

There's no like gold, you know, there's no government that controls gold. It's going to go, we're going to freeze you out of your gold. We're going to take your gold. We're going to seize your gold. We're going to, you know, we're to have all these crazy. It's crazy. Deficit spending and debase the value of your gold. No, none of stuff exists.

Joe (19:46)
It makes you wonder why they stopped using gold as a reserve in the first place. was easier to use. mean, dollars were backed by gold at the time, I know. And it seems like most of these currencies were backed by gold or silver or something. And it was just easier to facilitate trade.

James (20:00)
Well, I'll tell you why.

I remember in Bretton Woods in 1944, you had this period of history. I mean, you go back to the late 1800s, you had what they call the classical gold standard. So you had a lot of currencies that are actually pegged to gold. World War I came around and they suspended that. Britain said, no, no, no, we're not doing it. No, no, no, we can't do that anymore. Forget about the gold standard. And in 1944, they got together in Bretton

Woods, New Hampshire, and they said, the dollar is going to be the reserve currency, but the dollar is going to be fixed to gold and everything else will be fixed to the dollar. So essentially it was kind of like a global gold standard. The dollar will be fixed to the price of gold and everything else will be fixed to the dollar. And so there was a gold standard for a really long time. And then what happened? Richard Nixon's the guy who gets the blame for, and there's a lot of things to blame Nixon for, but they say, oh yeah, Nixon closed the gold window and ended the dollar's convertibility to gold. It was actually Lyndon Johnson. It was actually, was 1968.

This happened, this guy pushed for it. I mean, he was like giving State of the Union speeches saying, we got to end the dollar's convertibility into gold. And he pushed and pushed and pushed Congress to make this happen. And the logic was, you say like, well, why would they do this? There was actually this view in the US government within the Treasury Department, I think it was Henry Morgenthau, correct me if I'm wrong, but I mean, was these guys in the Treasury and in Congress who actually believed that having the dollar fixed to gold was a problem that like the gold was dragging down the dollar and that they had to liberate the dollar from this tether, from this anchor of being fixed to the price of gold. So the dollar could soar free like an eagle and rise to.

Joe (21:39)
This is like a Keynesian view where like they can just print more money and that will create more value in the world. Demand itself they think will cause the supply to spring up.

James (21:43)
What they believed was that the global economy was growing quickly and that in order for it, because the dollar was the reserve currency, they had to supply the world with more dollars. The world was growing quickly, so the reserve currency, the global reserve currency, should grow as quickly as the global economy. But you can't grow the reserve currency if it has to be backed by gold. So all of a sudden, you've got this scarce resource, this fixed finite amount of gold that limits your money supply.

But if the global economy is growing really fast, then all of sudden you go, well, we got to supply the world with more dollars, but we can't create more dollars because we're fixed to this amount of gold. said, well, the 20 % of the money supply basically had to be backed by gold. That was the rule back then. So they said, well, we owe it to the world. We got to give the world more dollars. We got to be able to print more money and give the world more dollars. But obviously what they were really wanting to do, what Johnson was really wanting to do, was free up the United States to be able to print more money so that he could have his great society and his war in Vietnam at the same time. And there was that, you know, that crazy story where, you know, if we think Donald Trump is bullying the Fed, you know, Lyndon Johnson took the Fed chairman and literally pushed this guy up against the wall, screaming at him to cut interest rates.

I mean, imagine getting slapped around by the president of United States. You feel like, what, what do you even, what do you do in that scenario? You know, that's a, that's a, that's a was big guy. Yeah, that's a tough day. That's a tough day. yeah, I mean, that's why, you know, they say like, well, why wasn't there was a gold standard and why wasn't there gold standard? They actually convinced themselves that it was better for the global economy, better for America, better for the global economy to get off of the gold standard. And what happened? Well, ever since then, you know, the dollar's lost, you know, 90, 95 % of its purchasing power, you know, over that period of time, you had stagflation in the 70s, you had, you know, massive inflationary runs over a very long period of time.

So obviously that was the wrong move. That was the wrong move. But now it's been so long, hardly anybody even remembers a time where there was some kind of gold standard or there was a limitation on the amount of money that you can print. Now the Fed can just conjure its, say, oh yeah, we're gonna conjure $5 trillion out of thin air in a very short period of time because Tony Fauci said we should all be terrified of the virus and cower in fear in our basement. So we're gonna conjure $5 trillion out of thin air.

You couldn't do that in the 60s, but you can do that 60 years later in the 2020s. You can absolutely do that. that's all that together. And again, is why at a certain point, we always knew that foreign governments and central banks were going to lose confidence. And I know we actually didn't talk any about the gold miners that you want to talk about. We can do that now if you want.

Joe (24:32)
Well, mean, is part of the point is that is this, so they go to gold and because they're not gonna buy US stuff anymore. And that is what provides that long term trajectory for gold to continue increasing in price. And I you've talked about this as well, where if they've only converted a couple percentage of their dollar savings right now into gold, what's gonna happen when they do that more? But I'm still trying to just nail down this timeline. Could… they're probably not gonna restore confidence in the dollar. Could another currency come along and make gold not worth owning for these central banks? know, they've floated this BRICS currency. It's just not gonna happen.

James (25:08)
I don't think so.

No, the BRICS currency is a joke. mean, the BRICS currency is a friggin PowerPoint presentation as far as I'm concerned. There's nothing to it. It's, I mean, it's just, it's a figment of some, some intern came up with this idea somewhere and, and, you know, they kind of float this around and it makes its way through the media. But I mean, it's a, BRICS dollar is a nothing. The BRICS countries wouldn't trust the BRICS dollar.

So there's no reason for anybody else to have any confidence in the BRICS dollar. And again, nobody's going to trust the renminbi. I mean, the renminbi is not even freely convertible. mean, China has internal capital controls, external capital controls. India has capital controls. know, I mean, Russia, come on. Like anybody's going to trust Vladimir Putin with your national savings. mean, it's just, they're correct in saying that this is not an alternative. But at the same time, look at what's happening in the US. know, Congress isn't taking any this seriously. Nobody's cutting spending. Nobody's making any effort to actually dial in any, just even like a hint fiscal responsibility.

And so, yes, I think this trend is going to continue. You alluded to the fact that central bankers around the world have basically put, I mean, we did the calculation. It's like less than, mean, couple, 2%, 3 % of their reserves above and beyond any normal gold purchases, like 2 % they've put into gold, and that's led to a double of the gold price. 2 % has led to a double of the gold price. So just imagine if they say, I mean, you got something like Poland's central bank, think, I mean, we're not even talking about like China and Russia, we're talking about supposedly friendly countries. So the Polish central banks like saying, we want to put 20, at least 20 % of our reserves in gold. imagine if, imagine if we go, forget about it, I mean, just imagine if we go from 2 % to 5%, that's probably going to be at least another doubling and beyond in the gold price from here and probably a lot higher than that. So now we're talking, you know, $7,000, $7,500 gold.

And you've only got 5 % of foreign government and central bank reserves denominated in gold. mean, you can see like it really doesn't take very much to move the needle and that's before, right? Because if that happens, what happens next? Hedge funds get on board, pension funds get on board, then individual investors start buying the GLD and all the ETFs, which by the way, terrible way to own gold. I mean, I'm not here to give anybody investment advice, but I promise you if you actually read the investment disclosures, read the fine print of the GLD. We did this whole breakdown for our premium subscribers one time and said, here's like 55 reasons to not own a gold ETF. If you just read the fine print, I mean, there's like tax issues. It's unbelievable. Just read the fine print one day and you probably will never buy a gold ETF ever again. But people do that. And so there'll be all this money go into the market. And that's how I think we get to $10,000 gold because it's just be a lot of momentum.

Many times have we seen this? know, an asset class gets really hot. And you know, it's like you get people, people get in early, you get some strategic buyers, and then like retail money comes piling in, the funds come piling in. How many times do we see this with crypto? How many times do we see this with the magnificent seven and the tech stocks, whatever? think just gold is just on that ride. You know, it's on that ride where you've got big anchor strategic buyers, like foreign governments and central banks, who by the way, aren't buying gold for profit.

There's no central bank that goes, let me buy this, let me, let me buy like a hundred metric tons of gold so I can turn around and sell it to somebody down the road. Like he's like, they're just, they're just going to take a truck full of like a hundred metric tons and take it down to the local like coin shop and be like, Hey man, what, can you give me for like, that's just, they're not, they're not looking to do that. This is a strategic asset for them because they're looking at replacing. go, have a strategic reserve asset on my books in us dollars, US government bonds.

I'm trying to get rid of that because pretty soon I think that government, US government bonds are gonna look like a liability instead of an asset. So I wanna replace that with something that the entire world can have confidence in. Everybody's gonna have confidence in gold. Everybody already has confidence in gold. Why do I say that? Because virtually every foreign government, every government, every central bank on the planet already owns gold. They do and they have practically since the existence of that country. there's no, nobody has to reinvent the wheel there.

And that I think is what you're going to see is continued buying because Congress isn't going to get its act together anytime soon. Foreign governments and central banks buying up that gold, driving the price higher. Then you got hedge funds and pension funds and institutional investors jumping in, retail investors jumping in, riding the ETF train and all that's going to keep driving gold prices higher. And what we said, to finally get to your point, like a couple of years back, we said central banks are going to be buying gold.

They're going to be driving the price higher, but they're buying gold. They're not buying gold companies. They're not buying gold stocks, not buying gold miners, not buying royalty companies, not buying gold service companies. They're just buying literally physical those like giant bars of gold like you see in the movies. And if, by the way, if you never picked one up, they are freaking heavy, man. They're really, really heavy. We see like in the movies, like somebody like throwing the gold like in the sack and then throws it over his shoulder, whatever, like that would never happen. You'd have to be Superman to do that. But yeah, that's, that's, that was the deal. We said there, and so there was a disconnect.

James (30:23)
where we saw gold's going through the roof and you got these gold miners, their stock price is going nowhere. And we looked at that and said, that's crazy. That's crazy. Because the mining companies, their revenue is denominated in gold. That's their revenue. Like they literally mined gold out of the ground and then they sell it. So if the gold price is going to record high from record high to record high to record high.

Do you think is happening to the revenue of the mining company? It's going bananas, right? It's just getting higher and higher and higher. And yet, a well-managed gold mining company that's actually smart, they're able to lock in a lot of their costs, you know, especially when you have these like, these very sudden like gold price booms, they've locked in their costs, you know, maybe their costs go up like a little bit, but you know, not a whole lot. We're getting into companies that had $1,000, $1,200, $1,500, you know, locked in gold production costs and they're looking at freaking $3,600 gold. So these guys are, I mean, they're making their profit margins are like tech company margins. mean, Zuckerberg is like, damn, I got to get in the gold business because I mean, it's just so profitable. And these gold companies are making just tons and tons of money and their stock price is going nowhere because nobody was paying attention. And our whole thesis was we were looking at the smaller ones.

Because anytime you get into these gold booms, it's Barrett Gold, Newmont Mining, know, these are like great, these are like fine companies, perfectly fine companies. But they're going to be the first ones that people start paying attention to. They're going to be the first ones to attract, you know, large capital flows, institutional capital, you know, when the big hedge funds go, oh, we got to get a gold position. First thing they're going go buy, Newmont Mining, Barrett Gold. They're going to buy the big major gold companies. We're saying, no, we're going to look at these smaller companies have smaller market caps, but we're looking at debt-free, extremely well-managed companies that are profitable when gold was like $1,500. If you can make money at $1,500 gold, you're going to make a fortune at $3,600 gold. And so that's what we're looking for, like well-managed businesses that can make money pretty much throughout the entire gold cycle. Gold prices go up, gold prices go down, these guys are still making money. And then we look at what are they doing with that money? Well, they don't have any debt, they're profitable. What do they do with that profit?

paying dividends. And these companies were finding these companies for two times earnings, less than book value. I mean, it was just crazy valuations. And that's the thing we were saying like two years ago. You and I were doing this podcast. We're practically shouting going, pay attention to this. This is going to happen. These gold companies are going to go, just the stock price is going to go just berserk. And what happened? Just meant to the moon. I mean, we've seen some of these 3X, 4X, 5X. mean, we've got, and we said the same thing. Here's some silver companies, here's some platinum companies. I mean, we got some of these that are up 5X literally this year, this year. And so the thing we've been saying for so long, and I just, wanted to do this just to kind of be on the record about this. For a long time, we've been saying, hey, there's a huge disconnect between gold prices going to the moon and these super cheap, ridiculously cheap valuations of gold companies and silver companies, platinum companies, et cetera. And I just want to be on the record and say, I'm not going say it's no longer the case, but that window is closing. I mean, it's closing.

The kind of general investment community has caught on to like, wow, man, that's, wow, there's a company paying 8%, 9 % dividend, trading at two times earnings, wildly profitable. And its profit potential has doubled over the last couple of years and still trading at two times earnings, that's insane. And so those companies have been getting bid higher and higher and higher. Now, know, personally, our view, and this is not any kind of recommendation or anything to anybody, but I mean, just to put it out there, like our view is that there's still plenty of gas in the tank there. And I think, you know, like these companies are going to come out with their Q3 earnings. They're going to come out with, and I think their Q3 earnings at record high gold prices, their Q3 earnings, they're going to kill it. Their Q4 earnings are probably going to kill it. And those because these are public companies, they're going to be, you that's going to attract a lot of capital.

People are to look at these and go, man, these are cheap companies and that's going to attract a lot of capital. And so, you know, we think there's still plenty of gas in the tank, but I just want to be on the record and say, this is something we said like a couple of years ago, that these are like crazy dirt cheap gold businesses, gold's going to the moon ~ and these companies are dirt cheap. And I just want to be on the record and say, they're not as cheap as they used to be because we've seen a lot of the companies that we've that we've put out in our premium research have literally five X'd, three, four, five X returns on these. And, you know, our view is that there's still gas in the gas tank. We think some of these can do even more, but you know, I just want to be on the record and say this thing we've been saying for so long. I don't want to keep saying that over and over again. Like I want to be clear, like, you know, it's not early days anymore. It's not early innings. We're definitely well into this game at this point.

Joe (35:37)
That's what's interesting about these companies though, is that they've gone up, like you said, 300, 400, 500 % one of them, I think. But they were so undervalued that that hasn't even closed the entire gap. So now they're only trading at what, four or five earnings or something like that.

James (35:53)
When we started, it's like gold was here and the valuations were here. so like gold has doubled. So you just imagine, right? Gold has doubled, but these companies, some of these companies have gone up, you know, three, four, five X. So they're closing the gap, right? There's not the same, there's still a gap. There's definitely still a gap. So our view is that there's still opportunity there, but it's not like it was before.

We've got this company that's like, dude, this company is going to be making a fricking fortune over the next just 6-12 months, over the next 6-12 months. I mean, you don't have to have this like super long-term horizon even. And we were right about that because it's not hard to figure out like, man, gold's going 2,000, 2,500, 3,000, 3,500, and the company stock price is barely moving. So, you know, we saw this huge disconnect. There's still a disconnect. I just wanted to be on the record and say, it's no longer this massive disconnect, right? And I think it also depends on what kind of person are you?

A lot of people like say, yeah, I'm really long-term, but most people aren't really long-term. And there's nothing wrong with that. There's absolutely nothing wrong with that. There's a lot of things that I'm extremely long-term about. I've got like certain things that I've done that literally like I've got a 15, 20 year horizon on. I don't even view it as mine. I view it as like belongs to my kids and my kids are super young, right? So like I've got a really long-term horizon on certain things that I've bought that I don't check the price, I have literally no idea, I'm not, I'm not paying attention to it.

To me, that's like, you have a long term view when you just, it's not even in your mind anymore. If you're waking up in the morning, you're checking a stock portfolio, by definition, you don't have a long term view on that portfolio. And there's nothing wrong with that. There's absolutely nothing wrong with that. All that means is that you've just got to make sure that you're honest with yourself and say, I'm just not long term about this. And, you know, I think there is very much a long-term play here with gold and with gold companies, because like I said, the whole thesis is foreign governments and central banks are quietly getting out of the US dollar market. We talked about this, think, last week. We said, look, foreign governments and central banks own more gold than they own treasuries now. That's a pretty sure indicator that what we've been saying for so long is in fact happening and playing out in front of very eyes. And I think it's going to continue. It's going to continue, right? Until Congress, and I keep saying Congress because Congress constitutionally has the power of the purse. Congress sets the budget. The president can say a lot of things, but it fundamentally does come down to Congress. And until Congress wakes up and actually does what it's supposed to do, does the right thing, cuts the spending, know, finds the compromise that it's supposed to do, which I don't see happening anytime soon.

Joe (38:18)
and going to continue for all the reasons that we've talked about. ~

James (38:43)
I mean, these parties are at each other's throats, even in internal fighting within the parties. I don't think, just, don't see them finding ways to cut a trillion dollars, half a trillion dollars in spending from the federal budget. And until that happens, now you've got, you know, ~ a problem with central bank independence and how, mean, there's, I mean, all these sorts of things that just make the story worse and worse and worse and continue to erode confidence for foreign governments and central banks. So I don't see anything on the horizon that makes me think that foreign governments and central banks are to change their tune on US government bonds. I think the thing that America has going for it is, yeah, there's great technology, there's a lot of great businesses to invest in. So are foreign central banks going to go and load up on whatever, Nvidia stock? I don't know. I don't know.

Maybe in small parts. at the end of the day, think these guys want to, I mean, they're going to need to own a universal asset that is not controlled by a single government. And there's something that you can easily deploy billions, tens of billions of dollars, hundreds of billions of dollars over time. And there's just not a lot of asset classes that really tick those boxes. The reality, the only one that really does is gold. Technically, you could do it with oil, right? But oil is really hard to store because a barrel of just, you know, to think about the size of a barrel of oil. And so all of that, the amount of wealth an entire barrel of oil is like $75 versus that equivalent volume with gold is like $50 million. Or we did the math on it at some point.

I mean, it's a massive difference. So gold ticks the boxes. So I think they're going to keep buying gold. And that means that gold, think, you know, gold is going to continue to do very well. And I think that means that gold companies are going to continue to do very well. So if you have a long term view, you know, there might be some of those things you just forget about, you know, over over a 10 year period. ~ Some people might be looking at shorter term cycles. And I think if you're looking at shorter term cycles, you have to think about, you know, sure, the cyclicality and investor psychology and all those sorts of things. And I think there's a certain point where, like we've been saying, you know, it's not early days anymore. And I think in this phase of the cycle, over the next couple of months, I think if you see companies, you know, putting out earnings reports, quarterly earnings reports saying, hey, we killed it again, and Q4, we killed it again. And that attracts a lot of capital and the company stock prices boom, I just, you know, buy investor nature.

People start taking money off the table, they start selling stocks. So I think we could see a little bit of cyclicality within the gold market where for a short period of time, maybe some consolidation, share prices go up over the next couple of quarters, and then maybe they go flat or they fall a little bit while there's a period of consolidation. But all the while, there's this long-term story of gold prices going higher because the US government, Congress just can't get it to act together and do what's necessary to rein in spending and create a sense of restore confidence and the US government and the US dollar. I just don't see that happening anytime soon.

Joe (41:42)
That's kind what I'm trying to think about, whereas gold's at all time high. We've said this before, though, when gold's been at all time highs and it's like, it's difficult to invest at all time highs. So if there is such a large disconnect and there's another way to gain exposure to gold, which was these extremely undervalued companies, why not do that instead of buying at all time highs? But you're saying this gap is closing. At some point, it's possible that the gap reverses and that these companies are overbought. So essentially at that point.

We're not there yet, but at that point, maybe why not buy physical gold instead?

James (42:16)
Yeah, it could be. mean, you know, got to cross that bridge when you get to it. But I mean, the reality is anything, any asset that gets hot eventually has like a consolidation period. How many times have we seen this with crypto? You know, I mean, it gets super, super hot and then it cools off for a little while. Prices fall, people run away, you know, and then they start coming back in and it gets really hot again. We've seen this with tech stocks. We've seen this with so many different assets. There's no reason to think that gold is going to be any different. You know, the key point to bear in mind though, is that as long as the U S government and Congress fails to act on what it needs to do, which is to rein in spending. This should not be a political issue. It's not a political issue. It's an arithmetic issue. When you're spending 22 % of all federal tax revenue just to pay interest on the national debt, it's an arithmetic problem, not a political problem. So freaking fix it. But nobody wants to do that. And until that happens, which I mean, I'm not holding my breath.

I think that foreign governments and foreign central banks continue to buy gold, they're to push the gold price higher. And over the long run, I think that's going to be very good for companies whose revenues happen to be denominated in gold or who tend to do very well. there's a lot, I mean, you got royalty companies, you got service businesses, which are in many cases, literally selling shovels to the gold miners. You know, those are interesting businesses. We've covered a few of those in some of our premium research. Very, very interesting businesses. But yeah, there's a lot of ways to get exposure to that. And, you know, our analysis is, yeah, there's still some good value in that market. There's still some good value in some of these businesses. We've got, think our most recent ~ addition, we talked about like, here's a bunch of companies that we've covered that we think are still present some very solid value. ~ But it's not, just, again, I to be on the record and say, we've been saying this for a long time. And I just want to be clear, like, that time is over. It's no longer early days where we can look at and say, look at this massive disconnect between these ultra cheap, super profitable dividend paying debt free, well managed gold businesses and the rising price of gold. Yeah, there's still a gap, but it's not the same crazy Mount Everest distance between the two. There's a gap and it's a healthy gap and it's a good gap. And I think there's money to be made in that gap, but it's not the same as it used to be. I just wanted to kind of put it out there and make sure people understand sort of the difference between the way of looking at it over the short term.

And the very long-term way of looking at it is like, the long-term, we think all of these companies are probably going to do, anybody that has anything with gold over the next 10 years is probably going to do pretty well. And the only thing that's probably going to break that is all of a Congress just wakes up and says, my God, we've got to get our act together and fix the debt, rein in the deficit spending. ~ Could be. Yeah, it could be. But I don't see that happening for now. So we're where we are.

Joe (44:52)
If they balance the budget, sell gold.

Thanks, James.

James (45:02)
All right, buddy, thanks.