

Two Resource Companies Offering Arbitrage Opportunities

Maurice Jackson Interviews Jayant Bhandari - Transcript

Maurice Jackson: Joining us for conversation is **Jayant Bhandari**, the founder of the highly acclaimed **Capitalism & Morality** seminar and a prominent sought-out advisor to institutional investors. Glad to have you back on the program, sir. We have a number of topics to address today. There's a lot of tension at the moment between India and Pakistan. For someone that may not be familiar with the situation, please provide us with an update.

Jayant Bhandari: Maurice, on February 14, 45 Indian troops died in a convoy in result of a terrorist attack as they were moving in Kashmir, a very contested area for years between these two nations. The fact is that so many troops should not have been moved together from one place to another. They should have actually been air-lifted, which would have been a much better option. But this is because of the envy and bureaucracy within the Indian Army that these guys were moving in a convoy. These were not even armored trucks. These were simple buses that they were using to transporting troops. The end result was that there is now a huge amount of anger and tension between both nations.

Ironically, hundreds of Indians die off road accidents every day. Actually, I think that number is about 1,000 people per day on Indian roads for very useless reasons. Unfortunately, the Indian public is very tired of watching the television, they wanted some more fun. They went into a hysteria of anger against Pakistan because Pakistan was supposed to be behind the attack. Now, I'm fully convinced that Pakistan is behind it. Pakistan has become a terrorist nation. There's absolutely no doubt about it. It has become a very religious, fanatic nation.

Hysteria ramped up so much in India that the Indian Prime Minister, who has to stand for election in about two month's time, had no choice, as a response, but to deploy an Indian Air Force Squadron into Pakistan to attack a madrasa. A madrasa is a place where people get indoctrinated into Islamic fundamentalists. This squadron went into Pakistan and for all intents and purposes appears to have successfully managed to destroy one tree. Although the short utter incompetence of the Indian Armed Forces was on full display, it was humiliating to Pakistan because it could not really stop the squadron from entering Pakistani air space. A couple of days later, Pakistan unsuccessfully tried to enter Indian air space. But in the meantime, an Indian plane was shot down by Pakistan within Pakistani territory; the pilot survived.

Now, that is very briefly what happened. Fortunately, things calmed down a bit but things can still erupt very quickly. Both governments are very afraid of letting their media ramp up emotions within their own society. I'm glad that things are cooling down a bit right now, but the armies are at the border. The air space between the two countries is still completely closed, which means international flights are flying either south of Pakistan or north of Pakistan. The situation is extremely, extremely sensitive between two countries who are both completely irrational, and one is completely fanatic. Both on nuclear-powered.

Maurice Jackson: You and I had a discussion offline prior to the interview regarding the U.S. involvement in this situation. Can you shed some light on that for us?

Jayant Bhandari: Absolutely. When I said that things have cooled down a bit, most of that is

a result of U.S. involvement. President Trump was in Vietnam when India and Pakistan were about to go into a full-blown war. Pakistan was actually making very a clear and crisp statement about using nuclear bombs on India. Things were getting extremely serious. Now, all of that is posturing from both the sides. Neither of the sides actually has the courage and valor to actually go on a full-scale war because their armies are not really competent. They are extremely corrupt and very disorganized.

They don't really have the capability to face that death toll or the loss of infrastructure that they would need to face to go into a war. While they were posturing, things could have gone out of control just because of posturing. President Trump, who was in Vietnam negotiating with North Korea about another nuclear bomb-manufacturing country, North Korea, had to start making calls to Pakistan and India to cool things down. Most Americans probably have no clue about the contribution from President Trump, the massive contribution that America made to creating peace again in two Third-World countries, also, in terms of stopping a nuclear war. Trump should get a Nobel Peace Prize just for this one event. He calmed things down between the two countries, and he stopped a nuclear war breaking out between the two countries.

Maurice Jackson: You shared your thoughts regarding President Trump in previous interviews. Can you shed some light as well on how your views may have changed regarding President Trump since his first inauguration?

Jayant Bhandari: Maurice, when I first wrote about Trump before he was elected as the president, I actually wrote that he was a crook. I don't want to change the wording of my musings. They are still on the internet, but I think he has clearly turned out to be someone who is trying to deliver on what he promised. He's trying to do almost everything right. Now, I don't have to agree with everything that you or Trump do. What I want to see as you, as an overall personality, I think Trump really wants America to do well. He's trying extremely hard to turn the corner for America. He wants to stop degradation of America that has been going on for the last many decades now. I think has really turned out to be a politician, who I have respected the most in my life. That includes politicians around the world. He is probably comparable to Margaret Thatcher, for example.

Maurice Jackson: Well, that's quite a compliment there. Switching gears, in the natural resource space, many speculators place a lot of emphasis on commodity price speculation. This is doing part for a number of reasons, either they have a bias to a said metal, and then the following name, they trust to provide further confirmation bias. Jayant, what do you see as the inherent danger of commodity price speculation?

Jayant Bhandari: Commodity prices speculation in my view is astrology. It's nothing else than that. Most people, and in fact, I have yet to come across a person who can actually speculate in commodity prices. Now you might be able to speculate in commodity prices in the short term because if the prices go up for a reason or falls for a reason, and if you think that that reasoning is not really the reason why the prices should have changed, you can make a short-term bet. But for any kind of medium-term and long-term bet, commodity price speculation simply does not work. It is nothing but astrology. Most retail investors just trade headline sound bites that seem as if it is a thorough analysis about a certain commodity and go into buying those commodities.

They take a huge amount of risk because on a probability-adjusted basis what they are doing is they're taking no real position, but they still have to pay for transaction and holding costs, which means that they actually put themselves in a losing position. You should not do commodity prices speculation.

Maurice Jackson: What is an alternative method for someone listening that may be more beneficial?

Jayant Bhandari: If you really want to speculate in commodities, you should do a lot of work on it. Most real work is done by commodity traders, people who actually buy copper and nickel and supply copper and nickel to the consumers. Maurice, as you know, I attend a lot of conferences, I meet commodity traders, they tell me that they actually don't speculate in commodities. What they actually do is that when they buy a certain commodity, they actually use the futures exchange to hedge themselves against commodity prices moving against them. This makes it a very interesting situation. Commodity price speculation is mostly done by retail investors, fund managers, mining investors and hedge fund managers. All these people, collectively over a period of time, actually lose a horrendous amount of money.

Now, what a lot of these people do is they use mining companies as vehicles to speculate in commodities. If you must speculate in commodities, just speculate straight into that commodity. Don't use mining companies as vehicles. When you start using mining companies as vehicles, you not only accept astrology, you complicate that astrology a lot more. Mining companies should be about mining companies. You should be in a position to sit back and imagine what the value in the ground of a particular company has. You should be speculating on what is inside the ground. That is where the value comes from.

Maurice, you and I have talked a lot about several companies like **Irving Resources Inc. (IRV:CSE; IRVRF:OTCBB)**, when it was trading at 40 cents or **Novo Resources Corp. (NVO:TSX.V; NSRPF:OTCQX)** when it was trading at 66 cents. Both of these companies have made investors—you and I—20 times our investments. Now that did not happen because we invested in these companies for commodity prices. We invested in these companies because of what we thought there was in the ground, which had gone unappreciated by the market. That is what mining investment should be all about.

Maurice Jackson: True words of wisdom. Jayant, can you please share your views on the big five. By that, I'm referring to **gold, silver, platinum, palladium and rhodium**.

Jayant Bhandari: I buy gold and silver. I strongly recommend that people who want to protect their wealth buy gold and silver, unless they know a better way to protect their wealth. People who are in the investment business know about investing. Most people haven't a clue about how to invest in the market. Those people, if they want to protect their wealth, can go to the bank. Bank gives them a zero percent interest rate. Their much better option is to invest in something real which is gold, silver. Now platinum and palladium, particularly palladium, if you look at the future prices of palladium, it's actually in backwardation. Palladium and zinc are in backwardation.

If I own these two commodities in physical form, I would be rushing to the market to sell these things off. Then, if I really wanted to keep them with me, I would still sell them off and buy

futures of these commodities and save about 10% from making this trade. Whenever you want to look at a commodity, you should also go to **LME's** website or **CME's** website to look at the future pricing of these commodities. From that perspective, I'm certainly not interested in palladium. I'm not very interested in platinum. I'm certainly interested in silver and gold because I think, for most people, that is really one of the only ways they can protect their wealth. How else can you protect it unless you understand the investment business?

Maurice Jackson: Any thoughts on rhodium?

Jayant Bhandari: I don't really follow rhodium, Maurice.

Maurice Jackson: For someone that has never purchased precious metals, what would you like to share with him?

Jayant Bhandari: Well, a couple of things. People should have precious metals in physical form, particularly people who live in the Third-World countries because they live, exist in an extremely risky jurisdiction. They can hold their physical gold and silver in electronic form. They are trying to keep some of their money of these countries in gold and silver form. Try to see that you minimize your transaction costs. You can similarly own, buy physical metal from several companies within America or in Canada.

Maurice Jackson: One of those companies as well is **Miles Franklin**; we encourage you to visit our website and take a look at the physical precious metals that we offer.

Jayant Bhandari: A very reputable firm to buy gold and silver from.

Maurice Jackson: Oh, thank you, sir. Moving on to junior mining companies, Jayant, you are the most respected names when it comes to arbitrage opportunities. Do you have any to share with us?

Jayant Bhandari: I do have a couple of names, Maurice. I have to warn that both of those names have some major risks underpinning them but also the arbitrage upside is so nice that if I watch them closely, and if I try to keep understanding the changes that are happening in those companies, I might be able to make anything like 50% or more of my money in the next couple of months. With that warning, I want to mention two companies to you. One is **M2 Cobalt Corp. (MC:TSX.V; MCCBF:OTCQB; A0K:FSE)**. It's trading at 16 cents. There's about 50% arbitrage upside in it. It is being acquired by an Australian company. If you do decide to buy M2 Cobalt, the ticker is TSX-V: **MC** | FSE: **A0K** | OTCQB: **MCCBF**, you should buy it in a trading account that allows Australian stock trades to happen as well, which I think **Interactive Brokers** do a good job with that.

If you do so, then the conversion will happen automatically for you. You can enjoy that arbitrage without having to pay massive brokerage fees. But follow this company closely, if you decide to buy it. The other company is **Core Gold Inc. (CGLD:TSX.V; CGLDF:OTCQX)**, and it's trading at 22 and half cents. It actually has about 70 to 80% arbitrage upside in it. There's something funny happening within the company, the CEO was fired a few week back. You really have to pay close attention to what is happening. If you stay ahead of the crowd, you will position yourself to make some interesting money in these two companies. Don't buy too much of them though because they are indeed very risky.

Maurice Jackson: Aside from arbitrage opportunities, which junior mining companies have your attention at the moment and why?

Jayant Bhandari: Two companies, Maurice, that I want to mention. One is a **Maritime Resources Corp. (MAE:TSX.V)**, and it's trading at nine cents. A company that I have invested in and I actually have been buying it recently at nine cents. Do not go above that. It is doing financing at 10 cents, so I don't even want to participate in its financing when I can get it at nine cents. I'm not crazy about warrants. Warrants will be in the money by the time I will have made about 60% of my investment. Maritime Resources makes a lot of sense to me. There's another company called **Commander Resources Ltd. (CMD:TSX.V)**, a very thinly traded stock. It's also trading at nine cents. Commander Resources is actually trading for less than what I think its cash value is, plus it has a couple of interesting projects. Just patiently give limit orders if you want to buy these two companies and sit on them. I think there's an easy 50% upside and both of these companies within hopefully a year's time.

Maurice Jackson: Moving on to philosophy. Mr. Bhandari, you are the founder of a philosophical forum focused on reason, argumentation and liberty. For someone new to your work, please introduce us to **Capitalism & Morality**.

Jayant Bhandari: Maurice, I want to have a forum in Canada where people can openly discuss issues that people are otherwise unable to discuss because of political correctness. If they go to my website, which is **Jayantbhandari.com**, there's a tab called **Capitalism & Morality**. They will find that on August 3 2019, I'm running this one-day conference. We'll talk about all kinds of issues; immigration, race, sexual differences between male and females, all sorts of issues that basically get you ostracized in society for speaking up too openly. What we really need is to have a decent, open-minded conversation about these things. If someone is bigoted, he comes out as a bigot but let's have an open discussion. Let's have an open mind about these things. That is what Western civilization is all about, that we should openly discuss all these kinds of issues.

Maurice Jackson: Who are the featured speakers this year? Can you share with us what they will be discussing?

Jayant Bhandari: I think I have about 13 or 14 speakers this year. Ian Plimer will be flying in from Australia. He will be talking about what has been happening culturally with Western society. Then we have Doug Casey, Rick Rule, Adrian Day. I have my recently made friend, I have known him for a couple of years, Fergus Hodgson, who is going to talk about what's wrong with Latin America, that it always goes back into a Communist-Socialist kind of mindset. I have Rakesh Wadhwa, Frank Raymond, Mary Lou Gutscher, Nick Giamb Bruno of Casey Research. A lot of people is speaking at this seminar. This is a very philosophical, very intense day.

Maurice Jackson: For more information on **Capitalism & Morality**, please visit **Jayantbhandari.com**. Again, the date is August 3. Jayant. Where else will you be speaking this year?

Jayant Bhandari: Well, I am heading off to Singapore and will be speaking at **Mining Investment Asia**, held from the 26th of March to 28th of March in Singapore. Then,

immediately after that, I'm going to Hong Kong to speak at **Mines and Money**, Hong Kong, which runs from second to the fourth of April 2019. Both are very interesting conferences because I get to learn a fair bit about what's happening in China, Australia, countries that I don't normally hear about when I'm in North America. As you know, I divide my time between East Asia and North America. I like to keep coming to Asia to learn and catch up. East Asia is really my favorite place in the world because it's a most safe and most stable place. I want to stay in touch with East Asia.

Maurice Jackson: Mr. Bhandari, last question, what did I forget to ask?

Jayant Bhandari: Maurice, in the initial part of our conversation, we were talking about commodity prices speculation and how you should invest. That reminded me of a book that I recently read, a book written by **Bob Moriarty** called "**Basic Investing in Resource Stocks**." I recently did a review on that book. We don't really have to agree on everything, but what Bob says is that people make investing too complicated. People look for excitement when they invest. They want to write on blogs, do all this mindless chattering with other emotionally driven people. What people want to do is to make it simple and boring. That is really the way to invest. I think his book is worth a read for people who want to learn some words of wisdom from someone who has made a lot of money. I know about it because I know some of his major investments. Just read people who have actually done very well investing in the sector.

Maurice Jackson: Jayant, for someone who wants to get more information about your work in Capitalism & Morality, please share the website address.

Jayant Bhandari: **Jayantbhandari.com**, I link all my work on that website. It also has information on Capitalism & Morality.

Maurice Jackson: If I may slightly backtrack in reference to Bob Moriarty's book: "**Basic Investing in Resource Stocks**," go to **provenandprobable.com** and click on our **education tab**, you can find it there. Last but not least, please visit our website, **provenandprobable.com**, for mining insights and bullion sales. You may reach us at **contact@provenandprobable.com**.

Jayant Bhandari, the founder of Capitalism & Morality, thank you for joining us today on Proven and Probable.

Maurice Jackson is the founder of Proven and Probable, a site that aims to enrich its subscribers through education in precious metals and junior mining companies that will enrich the world.