



# The Warrant Report

## The Only Problem With Gold: The US Dollar

By Dudley Pierce Baker

I'm sure many of you are wondering why in the hell are we 'investing' in the resource sector where the gains and winners have been few and far between in the last several years. While the sector is currently being challenged it is primarily due to the strength in the USD. I will show you several charts below but first....

In September I attended the Casey Summit in San Antonio, Texas with a list of great speakers and around 400 attendees, some of which were not even investing (as yet) in the resource sector. The Summit was more of a focus on the macro picture in the world, inflation versus deflation, etc. I wrote a review and titled it – **Casey Summit 2014 | Was It Worth It** and you can read it by [clicking here](#).

I just received my October copy of the International Speculator and would like to share a few excerpts from Louis James, Senior Metals Investment Strategist:

*...“To many investors, buying junior resource stocks today feels like gluttony for punishment. It's the investor's equivalent of my raw palms and sore wrists—but much more emotionally alarming given the substantial sums of money usually involved. Return on lunch seems more likely than returns on stocks.*

### **Warrants Expiring Soon!!!**

- **Petroamerica - 8 Oct**
- **Vista Gold - 22 Oct**
- **Retail Opp - 23 Oct**
- **Mega Uranium - 26 Oct**
- **Kerr Mines - 31 Oct**
- **Pilot Gold - 31 Oct**

*Whatever happens next simply doesn't matter. Building substantial positions at good prices in great companies in advance of what must happen sooner or later is what it's all about.*

*I truly hope you will stay the course, my friends, selling only what you must. Pay day is coming, I'm sure of it, even if it's not as soon as we'd like..."*

The message friends is; don't abandon ship, as it will get better.

Now let's get back to the strong rise in the US Dollar which was being questioned by some of the talking heads on CNBC recently that this strength will soon be cutting into the earnings of the US multi-national companies.

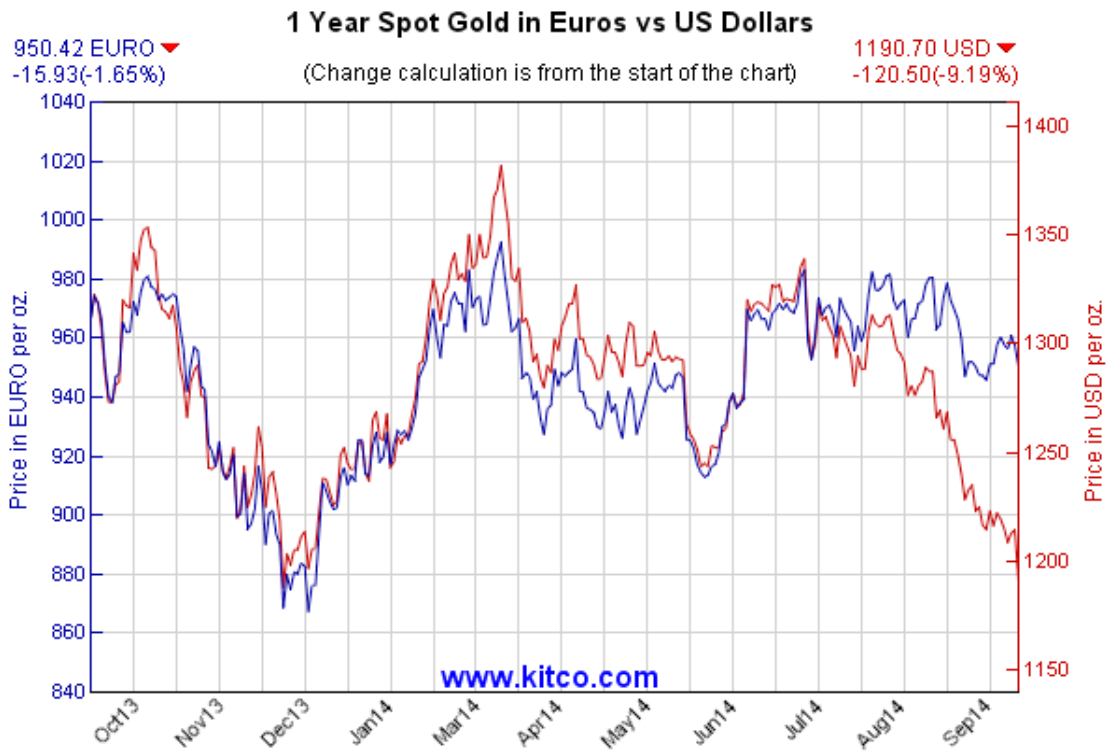




The strong rise in the US Dollar has been the prime reason for the down turn in the entire commodity sector and on a daily basis is very topy but on a monthly has more room to move higher and thus perhaps more pain to come for commodities.

Below you will see another look at gold priced in Euros and in Russian Rubles. Clearly this bear market in the commodities is the function of the pricing of the US Dollar.

Eventually this too shall pass and the commodities will rise again but for now we must be prepared for possibly more pain.



## Current Warrant Database

For those readers unfamiliar with the details of our warrant database, we now have all stock warrants trading in the U.S. and Canada AND stock warrants trading in all industries and sectors. Believe me, there are many great opportunities for all investors, from resources to autos, banks, restaurants, biotech, etc. If you have previously only focused on the warrants trading on resource companies this may be the time for you to consider diversifying your portfolio to include other stock warrants trading.

All stock warrants are now in one database, completely sortable by you. Sorting can be done on company name, symbols, expiry dates, volume, market capitalization and more. All the financial information necessary for you to make the decision as to which, if any, stock warrants you would like to purchase.

When you click on the Symbol for any warrant you now see current quotes (delayed), along with the ability to see charts, company information and financials, insider trading and much more.

Another feature we recently activated is a [Trial Subscription](#) giving those interested, a one-time opportunity to get started with Common Stock Warrants for as low as \$1 for a 7-day access after which regular billing immediately begins. If you cancel, you must do so before day 7 to avoid being charged by our credit card/PayPal vendors.

**I have recently done a video presentation for the Warrant Database and invite all readers to Take A Tour with me, [click here](#).**

## Our Companies Via Social Media

We encourage you to follow our companies on social media with the links below. We frequently post articles on our websites that are automatically placed on our Facebook and Twitter feeds.

Websites	<u>Facebook</u>	<u>Twitter</u>
<a href="#">Common Stock Warrants</a>	<a href="#">CommonStockWarrants</a>	<a href="#">stockwarrants</a>
<a href="#">Junior Mining News</a>	<a href="#">JuniorMiningNews</a>	<a href="#">jrminingnews</a>
<a href="#">Junior Mining Analyst</a>	<a href="#">JuniorMiningAnalyst</a>	<a href="#">jrmininganalyst</a>
<a href="#">Marijuana Speculator</a>	<a href="#">MarijuanaSpeculator</a>	<a href="#">investmarijuana</a>

This month we are showcasing two (2) companies with stock warrants but remember we are not recommending purchase of the shares or warrants but rather presenting this information to show the

potential benefits of investing in stock warrants. We are not financial advisors and you are encouraged to perform your own analysis and/or seek the advice of your investment advisors.

These examples show the relevance of stock warrants and why you and all investors should be involved with this exciting investment vehicle.

- Primero Mining
- New Gold Warrant A



## Primero Mining | TSX:P & AMEX:PPP TSX:P.wt & MNCWF

Primero Mining is a gold and silver producer in Mexico and is getting very undervalued with this current market correction. With the common shares dropping to around \$5, it is looking very interesting.

However, Primero has a stock warrant trading and while it looked very attractive a couple of years ago, it is now a high risk/high reward play.



The stock warrants trade on the TSX under the symbol, P.wt and in the United States as MNCWF.

The warrants have an exercise price of \$8 and will expire on 20 July 2015, much less time that

what I would normally recommend. So an investor has the right, but not the obligation to acquire one share of Primero at \$8 per share until 20 July 2015. With the warrants trading at approximately \$0.29 and the common shares at C\$5.03, let's see what a small amount of capital could achieve.

First we must assume that you as an investor like the Primero story and the possibility of the share price increasing in value before July 2015 and say you are looking to own 1,000 common shares at C\$5.00 so an outlay of \$5,000.

**What if**, instead of buying the common shares you used only \$1,500 cash and bought 5,000 warrants at C\$0.30?

If this consolidation/bear market continues and the common shares of Primero continue down you now only have \$1,500 as risk as opposed to the \$5,000 if you purchased the common shares.

However, if the markets turn upward and Primero rises substantially you can make a lot of money for you low risk investment.

A rise in the common to say \$10, yes a **100%** gain on the common from \$5 would make you \$5,000.

But this rise in the common share price to \$10 would now make your warrants worth \$2, thus would have \$10,000 and a gain of \$8,500 for a return of **567%**.

Thus the additional leverage is calculated as:  
567% divided by 100% = **5.67 Leverage**

Remember with stock warrants it is all about achieving greater gains and leverage than by buying the common shares while at the same time reducing your capital outlay and thus your ultimate risk in this investment.

In our analysis and ratings of warrants we are looking for stock warrants which will generate a leverage of approximately 2 to 1 over the common shares.

**Current opinion:**

I do not own the common or the warrants currently but do see the possibility arising in the next weeks or months, as a small investment in a high risk/high reward scenario as laid out above. However each investor needs to make their own decision and/or consult with their financial advisors.

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## New Gold | TSX:NGD & AMEX:NGD TSX:NGD.wt.A & NGDAF

New Gold is an intermediate gold mining company. The company has a portfolio of four producing assets and three significant development projects. The New Afton Mine in Canada, the Mesquite Mine in the United States, the Peak Mines in Australia and the Cerro San Pedro Mine in Mexico, provide the company with its current production base and solid foundation. In addition, New Gold owns 100% of the Rainy River and Blackwater projects, both in Canada, as well as 30% of the El Morro project located in Chile. New Gold's objective is to be the leading intermediate gold producer, focused on the environment and social responsibility.

Once again we have a company with great management and properties, a producer and cash in the bank. When the resource markets start to rise again, there is little doubt in my mind that NGD will be a big winner.

Currently the common shares are trading at C\$5.43 and the warrant A at C\$.82.

The warrant A gives the holder the right, but not the obligation to buy one common share at C\$15 until 28 June 2017.

In this illustration, we have much more time (over 2 ½ years) but a long way to go to get the share price up and over C\$15.

My personal view has always been that we will see NGD trading at C\$20 and above in a rip roaring bull market. I realize this may sound outrageous to some, but let's go with this example, okay?

If NGD common rises to C\$20 before 28 July 2017 that would be a gain of C\$14.57 (268%).

**newgold**

With the common shares at C\$20, the warrant A would be worth at least C\$5, thus a gain on the warrant of C\$4.17 (480%).

Thus the additional leverage is calculated as:  
480% divided by 268% = **1.80 Leverage**

Again, investors are faced with an interesting situation; do you just buy the common shares or take the higher risk of owning the warrants?

Each investor must always decide for themselves the answer to this question but I currently believe we will have the opportunity to see NGD trade substantially higher before the expiration of the warrants but the question will remain, how much higher?

But let's consider something else.

### **How much money do you want to invest in this transaction?**

If you were going to buy 1,000 shares of the common at say \$5.53 for a \$5,530 outlay, why not consider buying 1,000 of the warrant A (controlling the same 1,000 shares) for an outlay of only \$820. You have greatly reduced your capital investment while still having the opportunity for nice gains as the bull market resumes.



**Current opinion:**

I have owned the NGD warrant A for a few years with various cost basis from as low as C\$0.22 to over \$1. I will continue to hold these warrants as part of my core positions. However each investor needs to make their own decision and/or consult with their financial advisors.

**What did you just learn?**

**Stock warrants can greatly increase your gains but stock warrants can also reduce your potential losses in the event the common shares do not perform up to your expectations.**

We hope these examples give you more insight into the opportunities with stock warrants and in some cases, limiting your loss using warrants instead of buying the common shares also works to the advantage of investors by saving you money.

Until next month,

Dudley Pierce Baker

Founder-Editor

<http://CommonStockWarrants.com>

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