

**Jigneshbhai and Swami**

No Laughing Matter

2011-2016

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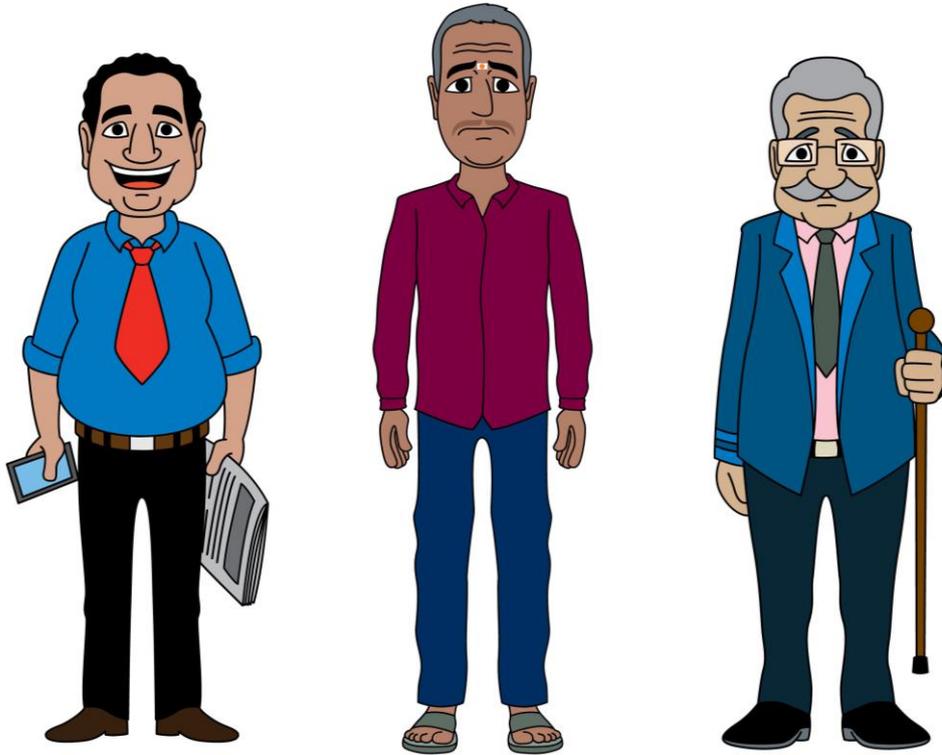
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## **Dedication**

To everyone who takes investing seriously and to everyone who doesn't

## Meet Jigneshbhai and Swami and the wealthy old man in the sprawling bungalow



Investing is not always fun. But it can be funny. Especially with so many things happening every day in the world of investing and with my friends around. So, meet my friends:

*Jigneshbhai: My broker friend who understands investing and provides sage wisdom from time to time, though not always in black and white. Like in most things in life, he believes that the questions you ask are more important than the answers. And he rarely provides clear answers.*

*Swami: My investor friend who often loses patience with his investments, with himself, and with the happenings around him - often leading to confusion. He often turns to my broker friend for answers, which he seldom gets.*

*The wealthy man in the sprawling bungalow: My old, rich neighbour who has been there and done that successfully in the world of investing. His wisdom is always cryptic and metaphorical, and he often talks in puzzles. Only Jigneshbhai seems to understand him, often leaving me and Swami scratching our heads.*

This is a collection of my sometimes frequent, sometimes infrequent coffee conversations with Jigneshbhai and Swami. While they speak on so many topics, investing is one of their pet subjects and the set of articles in this book are related to their conversations on investing.

Investing is not a one-time activity where you save money, create a plan and invest accordingly, and its done. I and Swami wish it was. But Jigneshbhai assures us that it isn't that simple.

It is a lifelong journey, often a roller coaster ride with its ups and downs, and with all the spoils of a good Hindi movie. As they say, isme drama hai, emotion hai, comedy hai, tragedy hai. Basically, it is something that is part of life itself. And in life, there are so many things and events happening. Some of them you take seriously, others you laugh it off.

My friends Jigneshbhai and Swami are witness to all those events and experience the same emotions and mood swings that most of us undergo when events like these happen in our journey of life and investing. Their coffee conversations reflect those emotions and swings, especially those of Swami. Jigneshbhai often tries to pacify Swami or give him some Investing Gyan but is not always successful. The old wealthy man has been there and done that but has reached a stage in life where he doesn't really explain everything clearly to everyone, not to me and Swami for sure. Sometimes Swami and I get him, most of the times we do not. But our friend Jigneshbhai does seem to get him often.

In any case, this is a collection of these coffee conversation from the past (2011-2016) and reference many of the events around investing and economy that happened during that period. The events and conversations may be topical and reflect the mood of the moment at that time, but often the wisdom that they reflect is timeless. I hope you enjoy reading these conversations and break into a smile while reading them. More importantly, I hope they speak to you as well.

Sometimes, conversations over coffee can say a lot. Especially the ones with Jigneshbhai, Swami and the wealthy old man in the sprawling bungalow.

*Ranjit  
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# The Good, The Bad and The Ugly: Observations in a World of Divergent and Opportunistic Opinions

Aug 1, 2011

“Are you a vegetarian or non-vegetarian?” asked the waiter at the hotel to my colleague Swami. This question always confuses him. “I am a vegetarian mostly, but I can eat chicken, except on Tuesday and Friday. So, it depends on what everyone else is ordering”, he replied. Such responses always confuse waiters in hotels, who have a simple way of classifying people. According to them, there are two types of people in the world – vegetarian and non-vegetarian. Alas if only it was so simple – my colleague Swami being a case in point.

“There are two kinds of people in the world, those with loaded guns, and those who dig. You dig.” Clint Eastwood made this dialogue immortal in the movie “The Good, The Bad and The Ugly”.

It seems to me that there are two types of people in India, or maybe the cricketing world, at least for now. Those who think that MS Dhoni was right in calling Ian Bell back (in the Trent Bridge test), and those who feel he was stupid to show such generosity on the English team.

Among those who think he was right, again there are two groups – those who think he was a true statesman of the game, doing it to uphold the spirit of the game; and those who think he was just a pragmatist, and hence did it to ensure that the Indian cricket team’s brand value (and hence the money they earn) does not go down.

And then there are those types of people (mostly media commentators!) who change their views according to the situation. Those who initially started justifying the morals of how Dhoni was right in appealing for the run out, and how the spirit of the game itself has changed in today’s world of cut-throat professional cricket; and later changed to applauding Dhoni for his generous act on realizing that Ian Bell was walking out to bat again.

There are some other ‘two types of people’ in the world today too.

Those that think Breivik, the person who fired at and killed 70 odd people in Norway, was an example of emerging, right-wing, ethnic extremism in Europe, and those who think it was not that – that it was just the delirium of a madman.

Among those who feel he was an extremist, again there are two groups – those who are shocked by the scale and brutality of the murders irrespective of who did it, and those who are shocked because the killer was not an Islamic terrorist, but a Christian Westerner who hated the tolerance towards multiculturalism.

And then, there are those types of people (mostly Western politicians!) who change their views according to the situation. Those who started condemning the killing as another example of ‘acts of terror’, and then called it a madman’s act after realizing that the killer was not an Islamic terrorist.

There are two types of people in the markets too.

Those who think long-term fundamentals-driven investing is the right way of making money in the markets, and those who think there is nothing like long-term, as all of us are dead in the long-term - so short-term technical-driven trading is the way to go. Those who are long term investors and those who are short term traders.

And then there are those types of people (mostly Brokers and people on business channels!) who change their views according to the situation. Those who say investing is the way initially, and then, when the markets go up tell us to become traders. Or those who tell us to make money as traders initially, and then, when the markets go down, ask us to become long-term investors.

So, it seems the world is made up of two types of people with two sets of clear but divergent views. And then, there is third types who change their views depending on what suits them; but who somehow seem to matter and drive their worlds.

And finally, there is a fourth category. That is the type of people who have no view as such, perhaps the majority, and, depending on the arguments, between the first three types, form an opinion. If you are neutral and have no view, your individual view probably does not matter much, and is there for the taking to be influenced. You are probably the common man with no voice, and in the markets, you are probably the retail guy with no choice. Like my friend Swami, you are dead meat even before placing the order!

## 5 Star Rated Advice: Deciphering the S&P US Downgrade

Aug 8, 2011

"Who is this S&P?" asked my friend Swami to my broker over a cup of coffee.

Swami, who generally spends time with his family over weekends, suddenly called me on Sunday afternoon, and said he wanted to meet my broker friend Jignesh who knew a thing or two about investing. I was not quite sure what it was about, but being a close friend, I arranged for the meeting. Swami seemed quite perturbed when he came home. "Arre - they are saying Indian market will fall because some S&P downgraded US. I want to understand why", he explained as the reason for this sudden meeting, while we were leaving my house. So, at around 6 pm, we met over coffee.

"Arre, it is a rating company", responded Jigneshbhai. "Means?" queried Swami, not quite sure what a rating company does. "They provide ratings for different things, like companies, governments, anybody or anything that has a financial instrument or offer." "Why?" - continued Swami, still not sure why something like that is needed by anybody.

Now Jigneshbhai thought it was time to really explain things properly. "Dekho - how you read reviews of movies in Times of India sometimes, and then decide whether or not to watch the movie. If it gets 5 stars, it is a hit, so you go and watch it, if it is 1 star, it is a flop, and you don't watch it. Like that, S&P provides star ratings to anyone who wants money - like companies, countries or anyone else. If it is AAA rating, people who have money, give them money easily, if it is lower, then they will think more, or charge more interest. Like that - understood?"

Finally, some spark dawned on my friend, who was otherwise quite a bright chap. But not fully lit up, he continued, "So that S&P is saying US has lesser money than earlier? So, their economy is in trouble" "Something like that" responded Jigneshbhai, not quite wanting to get into detailed arguments about fiscal deficits, interest rates and recession, I assumed. He thought this was the end of the discussion, hoping he does not have to explain more, and quickly started asking me how things at home and work are in general.

But his hope was short-lived. After a few sips of coffee, Swami came back. "Arre Jigneshbhai - but sometimes I have seen that the same movie gets different ratings in different papers. Also, Times of India ratings are wrong also sometimes. They give 5 star and I watch the movie; it is rubbish. And they give 3 stars, and movie becomes a big hit." I could sense a mix of curiosity and optimism in Swami's eyes as he asked this.

Now that the question was asked, my broker friend decided to go the whole distance and provide solace to Swami's unsettled mind once and for all. "Yeah, sometimes, they can give 5 stars to stuff that is rubbish, and low rating for good stuff too. Sometimes it matters, sometimes it doesn't. Sometimes it also depends on who the producer or star actor is - isn't it? If the season is bad, sometimes all movies flop for the time being." I could see that this confused my friend a tad bit more, as he lost keeping track of the metaphors.

Continuing, my broker friend said, "But why do you worry about it? If a good movie gets a 2- or 3-star rating, its opening may suffer, but if it is good, people will decide for themselves, and go and watch it later anyway, no? So - if companies continue to increase profits, they will become hits, people will buy their shares and markets will go up, else they will become flop shows. So,

you just focus on selecting good movies to watch and good companies to put money on" laughed Jigneshbhai, giving Swami 5-star advice.

Finally, as we finished our coffee and left, he added, "The world is worried because the US went from AAA to AA+. Rather than worry about the US getting downgraded, I wish someone in our country worried about how we will upgrade from our BBB rating."

# What does the US Economy suffer from? Diabetes or Heart Disease

Aug 13, 2011

I often wonder what a worse condition is to suffer from - diabetes or heart disease. And what is easier to live or die with.

Like the wife says it is easy to fix heart disease if it is only that. You may be able to detect it before you get a heart attack and do something by quickly having an open heart (by-pass) surgery. At least for a while, that's enough.

And wife also says a diabetic may not seem very ill but must realize he is suffering from a chronic disease that has no cure. The only cure is to get out of that condition. And it is only possible to get out of that condition, if he eats and exercises well, and takes the insulin and medicines.

And it is tough being a diabetic, especially if you are unable to manage it. The first step is to accept that it will be a chronic disease that you can live with and manage. But that does not mean it is not serious, and will not affect you eventually, if you do nothing about it.

Like I sometimes feel that the US Economy got a heart attack 3 years back, and the doctors of the economy thought this needs quick fixing. So, they did something like a quick and urgent by-pass surgery, so that the world does not go into a seizure. That it was required at that time to save the patient, and it did.

Like it worked for a while but seems like there are blocks in the heart that keep coming up every now and then in the US and other Western economies. And every time you do an angioplasty or a by-pass surgery here and there, you seem to have fixed the problem.

But it seems that the real cause of the heart disease is a chronic spell of diabetes over the past 3-4 decades. When people and governments gorged and gorged, despite high levels of sugar, and now are unable to understand why the heart disease is not getting fixed.

Like every time they go on a diet and insulin for a while, they seem to be getting back into shape, but some part gives up as it is not used to it and asks for more food. And it seems life threatening every time, or does it?

Like the doctors and patients need to realize that it is diabetes. And diabetes is not something that can be fixed overnight. In fact, it cannot be fixed at all. It can only be lived with and managed. It needs a change in habits and lifestyle. But if you do not do anything about it for 30 years, don't be surprised if your eyesight becomes bleary.

The only cure is to manage your diet, build an exercise discipline, and pray to God that everything gets better. It eventually will, but that's the only way - time and discipline.

And you may still need to keep checking your heart to look for impending heart attacks.

As Buffett said in one of his letters, "No sooner is one problem solved than another surfaces—never is there just one cockroach in the kitchen."

Diabetes is the lurking cause; heart disease is the effect.

And so, I met my broker friend and told him about my theory excitedly that the Western Economies seem to suffer from diabetes, and the doctors of that economy are giving them medicine for heart disease. And how it won't cure the economy and it is the wrong medicine due to a wrong diagnosis. He just flashed a wry smile at me, as if I was the last person in the world to come to that conclusion.

In a worried tone, he said, "That is fine. Just hope and pray that it is not Cancer."

## When It Rains, It Pours: What to do when things go wrong in a heap

Aug 18, 2011

My friend Swami had a new reason to complain since this morning - the rains. "I really got caught in the rains today - it was really bad, the weather, roads and traffic", he told me as I met him today.

Monsoon in Bangalore is, at best, mild, so a steady bout of rain in the past 48 hours or so was enough to set the tone for a sad, wet morning for him, apparently. Unlike in places like Mumbai or Chennai, no one carries an umbrella in Bangalore. So, the people with two wheelers stop in underpasses or under the remaining trees when it rains, and people with four wheelers crib about the two wheelers, and their own hardly replaced wipers when it rains. Everyone else who is not on the roads and in some IT office complains about the roads and the traffic. And everyone else who is not on a two-wheeler, four-wheeler or an office complains about how Bangalore is no longer what it used to be, and how it got spoiled due to the people with two wheelers, four wheelers and offices.

In Mumbai I have not seen people complain so much about the rain. The rain is heavier, the traffic is perhaps worse, and the distances longer. And when it rains it really pours. So, the Mumbai person resigns himself to the reality of losing a few more minutes of his daily life to his commute. Hence, people complain about the trains every year, and how they either stop or run a few minutes late when it rains. The intensity of rains in Mumbai is progressively captured when the Harbour line first gets closed, then the Central line, and finally when the Western line closes. That is when it must have really poured. Occasionally, you have bad days when everyone stays at home, or those who left early, walk back home in knee-deep water.

I may be wrong here, but like the rains, sometimes I see the same thing in the happenings around us too. When it rains, it really pours. Sometimes you get caught in the downpour unexpectedly.

So, when you have Dhoni and his cricket team clicking well, you thrive on seeing them beat Australia in the quarterfinals, Pakistan in the semifinals and Sri Lanka in the finals to become World Champions. And then three months later, you have them losing Test matches badly; first by 196 runs, then by 319 runs and then by an innings and 242 runs. So, when it rains, it really pours - on both sides perhaps. Looks like the world thrives on extremes.

So when you have an honest, educated, distinguished person, almost a non-politician returning to power as Prime Minister, it seems to everyone like the return of the dream team for Indian politics and economics to take us on the path of prosperity where India 'lived happily ever after'. And then, two years later, with the economy facing problems and corruption on his back, he seems like a civics teacher with no voice, telling everyone how parliament makes laws, or an economics professor who knows the theory, but cannot quite put it to practice.

Any my broker friend Jigneshbhai says the same happens in the markets too. "When it goes up, it just keeps going up, and when it goes down it just keeps going down", he says. But then I reminded him, "But it hasn't gone anywhere for a while". "Well", he said, "when it does not go anywhere, it just does not go anywhere. Everyone is waiting for the flood or drought." Hmm, may be, I thought.

So, I told my friend Swami not to complain about rains - because it does look like when it rains, it really pours. "So, I got it" said Swami - "so what's the big deal, I still don't like it that way. With all of us getting sticky and wet and slippery. Got to find a way out to deal with these rains!" "Do what people in Mumbai do", said Jigneshbhai. "Carry an umbrella. Or like the ones where they don't get enough municipal water - get your buckets out. Or better still, do this. Take a break and go to Khandala or Lonavala. At least you will enjoy the rains."

## **A Matter of Faith: The Role of Reason and Belief in Investing**

Sep 8, 2011

“Can you guarantee it?” asked my friend Swami, when my broker Jigneshbhai asked him to hold on or add to his investments saying that markets will recover. Jigneshbhai said, “Boss, there are no guarantees, but they should recover eventually.”

Swami continued, “But when? For the last 4 years, the returns on my investment are less than 5% annually. I would have been better off with my fixed deposits. Today they give 9% at least. If you cannot give guarantees, what’s the use?”

This conversation was getting a bit heated. It always happens when it is about money. I continued sipping my hot coffee watching them talk.

Continued...

End of Preview...

## About the Author

Ranjit Kulkarni is a writer, researcher and investor. He is passionate about investing (the Intelligent kind, based on Benjamin Graham's book 'The Intelligent Investor') and write a lot about it at his site <https://www.ranjitkulkarni.com/>. His interests also lie in reading about investing and economy, business and management, politics and current affairs, philosophy and spirituality, and his writing spreads across these areas.

Ranjit is an observer and commentator of the world and its happenings and the various people in it, and it amuses him to talk and write about them and their motivations. Ranjit humbly attempts to simplify complexity, provoke thought (and some laughter) and hopefully improve your life.

Ranjit has an MBA from the Indian Institute of Management Lucknow and spent over 22 years working for various multinational companies in the area of management and IT consulting. He lives in Bangalore with his family, and loves reading, writing and traveling.

Ranjit often reflects on what he sees and reads and observes, and write about it in the form of articles, opinions and thoughtful (often humorous, sometimes cryptic) coffee conversations among a set of characters.

Feedback is more than welcome. You may reach Ranjit at [ranjit@ranjitkulkarni.com](mailto:ranjit@ranjitkulkarni.com) or leave a message on his site <https://www.ranjitkulkarni.com>

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Thank You!



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