

WALL STREET UNPLUGGED

////////// AUDIO TRANSCRIPT //////////

Frank Curzio:

How's it going out there? It's January 3rd. I'm Frank Curzio, host of the Wall Street Unplugged podcast where I break down the headlines and tell you what's really moving these markets.



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Happy New Year. I hope all of you are keeping warm with record cold temperatures across the nation. In northern Florida, man, it's kind of funny here. We're supposed to get around three inches of snow today. It's like the first time in a decade that I think it's snowed here. I was as north as you could be before hitting Georgia on the East Coast, right? I think it's a decade, because I've been here close to seven years and I haven't seen a snowflake anywhere when I came here. Like no, it never snows here, so I think it's over a decade.

But it's like a state of emergency here, for three inches. We have a small bridge that you need to cross to get to my area and it's, you know, very high. On our local news, they're telling us, "Buy milk, bread, water, everything you need before that bridge closes. It could possibly close," and it's going to be 70 degrees like this weekend." So we're talking about even if it ... But buy milk, you need to buy this stuff now.

They act like a nuclear plant just exploded here. I mean, schools are closed, businesses are closed. They sent out messages on Facebook saying, "Don't leave your house unless you have to. We could have ice." You know, coming from New York, it's probably minimum six inches before they close schools. And that's if it just like snows, like you know, they just missed the forecast somehow.

But usually the snow gets plowed that day. And you'll see some streets and people complaining in New York and stuff like that. But usually, you know, when they're prepared, they have all these trucks all over the place, they know the storm is coming. And, you know, the schools may be closed, at over six inches, but under six inches, if they get ahead of it, it's usually not that crazy.

Here, they barely have trucks to plow snow. There's really no sanitation workers that are helping out throughout this thing. It's kind of like, even though they see it coming, right? They see it

coming from four days ago, they're totally unprepared. And I'm like driving to work and the roads are empty and it's not even, you know, it's not icy. It's not even snowing yet, nothing.

But it's just funny, right? Just in areas of the world and not even the world, but the United States, where just the reactions are so crazy here. But, anyway, just say a prayer for me. Make sure we make it through the storm, because I really want to go to my pool this weekend. I want to hit 70 degrees. So that's usually really important to me. And especially my kids, so just hoping everything is okay with three inches of snow.

But it is pretty funny. I don't know if it's just a reason, another reason Florida, another excuse for people who have to work here. I don't know what it is which is just pretty crazy. But yeah, it's kind of nuts here.

But let's move on a little bit, because as you know, or you should know, I've mentioned it on Facebook Live, Curzio Facebook Research page, and mentioned numerous times and you guys who have followed me over the years, know that early January means what? One of the busiest times of the year, conferences and stuff like that. I sent out a letter to my subscribers, tell them exactly where all the conferences I'm going to, I'm doing this month. It's going to be really crazy.

But, starting on Sunday, I'm going to the CES, it's an electronics show. And I'm going to be there until Wednesday. I know a lot of you attend this event. You email me at frankcurzioresearch.com. If you're going to be there, be sure to give me a shout. I love meeting subscribers at conferences or when I travel in different states and even different countries.

I just love meeting you guys, which is pretty cool. I mean, it's the least I could do. A lot of you support this show and support me through subscriptions and stuff and encourage the research for this year, but have supported me and followed me for over a decade, which is amazing. So the least I could do is just stop by and say hello.

By the way, if you never attended a CES, it's the second week every single year, in January. It happens in Vegas. But I would definitely attend this thing at least once. There is something for everyone, husbands, wives, young kids. I think you have to be 18 to actually get in. But Millennials, mothers, I mean, there is so much technology around babies there and stuff like that.

If you're in the market to buy a washer/dryer, a TV, anything phone-related, you're going to find something there. You have robots, wireless charging. This year, you're going to have data mining companies with crypto. I bet you that's a pretty big theme there. IOT, big data clouds, smart homes, 3-D printing. If you're a gamer, it's like heaven with you've got 3-D technology. You get to sample all this stuff.

There's games that you can move stuff with your mind. And I'm not kidding. I tried this technology last year. You think about where, whatever, I think it was like a fishing game or whatever, and you can move yourself by thinking. It's incredible, some of the things that are there.

You have virtual reality, augmented reality, drones everywhere. The newest cars, the newest technologies, every manufacturer, you know, car manufacturer is at the CES now, which is kind of crazy.

I don't know if you knew this, but the Detroit Auto Show is around the same time and that's the biggest auto show. That's huge. It's in early January. These companies are now going to the CES, not instead, but they're showcasing their best cars there and then they'll fly them to Detroit, do whatever they have to do to get back to Detroit. Because the CES becomes such a massive, massive platform, that they're getting just more attention there.

The fact that it's becoming, you know, we talk about something specifically, to a specific industry, the biggest conference, CES has become a bigger conference for these car manufacturers, and it's amazing. The display there, all the new cars, technologies, driverless cars is pretty cool. But that's how big it's gotten.

I'm talking about more than 4,000 companies are going to be presenting. They're going to be presenting their new technologies, products, that they're going to release in 2018. It's over 2.6 million square feet of space. To put that in perspective, that's more than 35 times the size of a football field. I remember when there were 2,200 companies there, the space was like 1.5 million square feet, I mean, you're looking at what, 75% increase.

They expanded it so much that it's not even just in the convention center, which is huge, but I think they have like four, five, six different hotels that have different displays in there with new technologies, innovations and stuff like that. That's how big this has become. The hotels are not next to each other, so you have to take buses and go different places and everything. It's just really,

really big, to the point where they actually have rides there. You have a cool Gibson tent. It's music where they'll have great bands playing there. You can play a guitar with headphones on. They have like 30 different stations for you.

They'll serve beer there, which is like tradition for me, because I usually go to Gibson tent on my last day, listen to music, drink a few beers and it's a lot of work. I mean, it's a lot of information to consume. Believe me, more than 80% of the stuff there is kind of useless and you're walking around and you don't realize how much you walk, probably over 10 miles easily. That's how big this place is. You're just walking around the whole entire day. You're taking pictures and it's just really cool.

My job is to find the 20% that's important and I know how to do that now, because of the comforts, because of the special executive tours I take, because of my contacts that I have there and I've been doing this for many, many years. And I want to always find ways to make money off of these technologies that no one is really talking about, that I can come back for you. My follow subscribers that you guys can make money on, that's the point of going to this conference.

It's led me to a lot of great ideas in the past, just a few, I remember early on, in Skyworks, early 2012, with the Internet of things, how this was the major player. I think the stock was around \$30, over 100 today. In video, learning about there are amazing technologies, super-fast chips, like two, three years ago.

Silver Springs Networks from 2017, which is a play on Smart Cities. I learned about this thing from a close contact there, which led to the recommendation on a pull back. If you're a CVO, which is Curzio Venture Opportunities subscriber, there's a company I recommended. The stock I bought out a few months later at a 50% premium.

Yeah, I can go on and on with some of the ideas, just from this conference, learning really early about Cloud, big data, cybersecurity and how do we make money off these trends. But, yeah, that's from just attending the CES by itself. That's why it's such a big conference.

What's cool about it is they let you sample all this technology, especially me, since I have a media badge, because of this podcast. That gives me pretty close to unrestricted access to everything, going to every single workshop. Everything for free. It allows me, basically, to get through a lot more companies and technologies,

compared to waiting on long lines and you have special media day we could, just for media, where you can go into the conference and visit a lot of these companies. I already set up tons of meetings.

The media badge also gives me access to management teams, which is cool, because these guys want their stuff to be marketed and talked about. So they want to talk to you and help you tweet about it or post the stuff on Facebook and other social media outlets.

It sounds like that would be a given for most companies, right? It's almost like free marketing, but it's not in a lot of industries. You could take biotech, that's an industry where you're lucky to get management on the phone with you. I think entry maybe to one or two biotech CEOs. They don't really like to share information. They don't like to be public.

Healthcare, Big Pharma, same way. They rarely give you that access to stuff. It's difficult to get management and doctors on the phone. They're just very, you know, and the mining industry is different. Those guys are willing to talk and tell you about everything. But yeah, kind of like hey, we release news. Here's the news and you figure it out for yourself, kind of thing. It's hard to get that access. They're just very tight lipped about certain things.

It's not like that in CES, which is really cool, because the reason why we're there is to find new ideas for you. This way, we can all make money off this stuff. That's the goal and it's happened in the past. That's why I really love attending it.

But every major technology company presenting, except for Apple, which I find funny, since 60% of these companies are pitching their products around the iPhone, IOS and Apple Watch and they'll have new cases, chargers, new apps. You see so many, I would say about 30% of the companies are cases, chargers, new apps, which is just too many.

But a lot of these technologies are specifically tailored to the new iPhone, yet Apple never attends this event, or hasn't attended it for a long time. Which is brilliant if you think about it, what a brilliant marketing strategy. Here, here's our best products, and everyone else can market it for us, which is really cool. And it's really just Apple that's not attending.

You see Samsung is very huge there. Year in and year out, usually the biggest company when it comes to their showcase and

presentations, and how many products they have. You have AT&T, Sony, Lenovo, Intel, Qualcomm, Google, Ford, GM, Mercedes, HP, just about every Fortune 500 company is there.

You might say, well, Frank, this is a technology conference, why are they all there? They're all integrating new technologies in their businesses and they showcase this. You see like Honeywell there, GE there. You just see different manufacturers there, but they're all at this conference to basically highlight their new technologies, which is cool.

It's a really great time. I'm going to have plenty of ideas and stories to share with you, especially, with my subscribers, who should be pretty happy to start the year, because a lot of my recommendations are off to an incredible start so far in 2018. I know it's early. We have a lot of names that are already up 10% on the year and just surging, which is really good. I love to see my subscribers make money. That's the reason why I do this, so I'm really happy there.

But, let's move on a little bit here, because I have a great interview for you today, with one of your favorite guests. That's John Petrides, who is the Managing Director and Portfolio Manager at Point View Wealth Management. John's an industry veteran. You've probably seen him on TV, since he's made numerous appearances on CNBC and Bloomberg's.

He's a fantastic analyst. I love having John on because not only does he share a lot of stock ideas, right, which I know you love and I love. Everybody loves stock ideas. But we could always go anywhere with the interview, because like me, he covers all sectors, all stocks, talk about the economy, global markets, anything relevant today which is important, because there is a lot of noise out there.

We want to get it from professionals and say hey, this isn't, this isn't important, but this is something you should really be focusing on. I love having these conversations with John. So instead of just covering one particular sector, we can go anywhere and that's what we're going to do today. John's going to discuss a major topic of 2018, which is inflation, it's finally here. We're seeing inflation.

So discuss some of the risks to stocks in 2018, including geopolitical risk, not just from North Korea, but another place that maybe not too many people are talking about. We'll talk midterm elections, which could be a huge deal, very few people are seeing this as a risk, with infrastructures, deregulation, all that stuff could

get derailed based on the midterm elections.

John's going to break down the FANG stocks. What do we have? Two ways with that. We have Facebook and Apple and Amazon, Netflix, Google. What he has to say about these stocks that have surged over the past 12 to 24 months, easily outperforming the market, it's probably going to surprise you. Of course, John's going to share his favorite ideas from three different sectors he really likes for 2018.

So great interview coming up. Then on my educational segment, I'm going to share a ton of stats and figures with you. I know it sounds incredibly boring, right? Whenever you mention the work "stats," it's boring. I know. I hear you. But these stats and figures are related to stocks, the economy and the global markets.

When you hear them, they're probably going to give you that chance to change your outlook on what's going on with the markets, where you think stocks are heading in 2018 and plus, you're likely, I think to change your allocation of what you own right now, once you hear some of these stats and figures.

Okay. We have this all coming out from all the brokerage firms, their forecast for 2018, what they like, what they don't like, but very interesting stuff that you should know going into 2018, based on what happened in 2017. Trust me. Statistics, numbers, usually a boring topic, but I promise it's going to be exciting and extremely important, very truly important educational segment that you'd better listen to, because it's going to result in you making money or losing money in 2018 and even past 2018, long-term. So really good stuff coming up.

Now, before I get to those wonderful numbers, let's get to my interview with my buddy, John Petrides.

John Petrides, welcome back to the show and thanks for being my first guest of 2018.

John Petrides: Frank, happy New Year to you and your listeners. Thanks for having me kick it off and I wish you and the team nothing but continued success and momentum into 2018 off of a great '17 for you. Good luck in the New Year.

Frank Curzio: Thanks, buddy, you, too. I'll tell you, being the first guest, that comes with a lot of responsibility and you know why, because everyone wants to know what's going to in 2018? People love market predictions, they don't even care what they are, various

stock plays of the year.

But we'll start out with it, because I love talking to you. We can go anywhere with these conversations, because you cover so many sectors and so many areas of the market.

Let's start out with just maybe the market outlook. You can even throw the economy in there, whatever, but what do you see in 2018? Because we know expectations are sky high. We know tax reforms are there and we don't know if it's fully priced in. But what are your expectations? Because we're already off to a pretty hot start for 2018. I wonder what you think, throughout the whole entire year, what are you seeing?

John Petrides:

Yeah. Sure. If you were to ask me today, hey, John, I have a dollar to invest incrementally, where would you put it? My answer still would be despite the run, I would still invest into equities and stocks, over bonds and/or cash. I don't think we're going to see the same type of return, like we did in the equity market. If you break down the S&P 500, 25% of the index is in the tech sector and tech was up like 40% for the year.

So you had really one group of stocks and of course, we all know FANG led the charge, that drove the market higher. I don't see a repeat of that in 2018. Although, on a total return basis, stock price plus dividends, we're expecting single upper middle digit, six to eight type of total returns for stocks in '18.

With the Fed looking to raise rates, with the underlying economy doing quite nicely, inflation is probably going to creep higher, which is going to force rates to rise more, which is going to be a headwind for the bond market. Although returns on cash are going to get better, just because interest rates will be higher, it still doesn't lead me to believe my cash parking, leave my cash parked not earning enough. I still like stocks over bonds and cash. I think mid to upper single digit type returns for stocks in 2018.

The one thing, though, that I would set investor expectations for 2018 will be a return of volatility. The one unique portion, or one aspect of 2017 is that the S&P 500 did not have one month with a negative return. I mean, every month finished positive.

We haven't had any volatility, which was really quite interesting, given the fact that the Fed raised rates three times in 2017. They announced they're going to reduce the assets on their balance sheet. Everyone was very nervous with Trump entering, with Trump as the President and what may or may not happen during

his regime. And given what happened in Syria and North Korea, from a political standpoint, given the fact that the price of oil is at \$60 a barrel now, and you really have not seen any volatility at all in the market.

I think investors and listeners need to be careful. Don't get complacent here. Just because there isn't market volatility or hasn't been, doesn't mean you should go too far out over your skis in taking on more risk. So I guess from an outlook standpoint, you get to six to eight type of percent total return for stocks, but it's going to be a bumpy ride getting there.

Frank Curzio:

Yeah. Keep in mind guys, John, you come on the podcast, at least every quarter, so I'd say four times, maybe five times a year for me, which is awesome. You've been doing that for at least starting in 2016.

But this is how, when you look at the data, the data is always changing, guys. If you listen to this or three months from now, you're like, well, John predicted ... Be sure to listen to the updates, because it's okay to change as the market goes, because right now as the data suggests, I'm going to cover this a little bit later in my educational segment, there's a lot of positives that may be factored in. We think we're factoring in, but you're not sure.

It's important to not say, okay, I think 2018 is going to be great. And no matter what happens over the next six months, you still keep that thesis. Remember, it's always ever changing because you're getting new data in, which I wanted to talk to you about. Does it make you a little nervous, because you probably do this as well I do, you see all the major firms come out with their predictions, their forecast, their top stocks. Not one, not one believes the market is going to go down in 2018.

You're a sentiment-driven guy like me. You always look at trends around you, how people feel and spending stuff. We talk about that all the time. Does that make you a little cautious? Because like you say, you're optimistic, but I love the fact that you said, hey, look, guys, but there are risks out there where you could be wrong.

John Petrides:

Well, I think we always take the approach with our client portfolios, is that we believe in diversification. Although I like stocks better than bonds and cash, most clients, depending on individual situation, do have some exposure to fixed income in their portfolios.

We don't, unlike the S&P 500, where 25% of the index in one sector

of technology, we equally weight the sectors in our portfolio. I think we're humble and smart enough to know we don't know what the future holds. So to say that where everyone is on one side of the boat, leaning in one direction, usually to your point, portends that the opposite is going to happen.

We like to have our bases covered and make sure that we're managing from a risk standpoint and the caveat to that is, we rebalance monthly. When we're looking at our client's portfolio, equities have rallied, instead of allowing client portfolios to drift higher, we're selling from equities and we're buying fixed income, because yield has sold off a little bit. We're picking up a little bit more income in the bond market, although it's still not great, because at some point in time, that other shoe will drop.

What we don't know is A, when; B, how long, right? And C, how much. It will happen. Since 1980, JPMorgan did a study where if you back out the biggest years the market sell-offs, take out 1987, take out 2008, and take out 2000 with the dot.com bubble. During that stretch, from 1980 until 2017, on average, the market sells off about 7% from peak to trough, during the course of a year, 7%.

It's not uncommon to have a pull back and I think what we've learned, really, post a crisis, is that investors should embrace a sell-off. Use that as an opportunity to buy companies that are now trading at a discount to what you think they're worth. Don't run into the wind and sell with the rest of the herd.

Frank Curzio:

Yeah. We hear about the positives in the markets all the time. I guess we're just programmed to be more bullish, I guess, most people, than bearish. Tax reforms, we see GDP growth is going to skyrocket in the first quarter, looking at possibly 3.5% or more.

But you mentioned some of the risks and I want to be balanced here. We always are, right? You mentioned a couple of them, saying, okay, geopolitical risk, yes. We know about North Korea, and you bring up the Middle East a little bit. Talk about some of the other risks that we talked about offline when it comes to possible midterm elections and also, the gorilla in the room that's finally here, after eight years, is we're seeing inflation.

John Petrides:

Right. Yeah. We think there are three major risks to the market. You highlighted the biggest one is inflation. The U.S. economy is doing well. The Fed clearly senses that and in their quantitative tightening mode, where they're slowly bringing the economy out of the financial crisis monetary policy. It kept going higher with interest rates.

But the underlying economy is doing well. We'll see the impact, if there will be an impact on what tax reform does. Clearly, we've seen it in the stock market, with the valuations moving higher on the back of a lower corporate tax. That's pushed valuations higher.

But the underlying economy there is increasingly more confidence on the corporate level and on the consumer level, where people are putting dollars to work. That's strengthening the underlying economy. It may not be as fast or this recovery may have taken longer than most of us would have liked to have seen. But it's happening.

There problem is, and with oil at \$60 a barrel, if inflation starts creeping up higher, that's going to force the Fed's hand market expectations, to raise rates faster than expected. If the Fed has to raise rates faster than expected, that could be a headwind for stocks. Keep an eye on inflation.

Actually, if you look at this upcoming Friday and the first Friday of every month, we get the monthly jobs data, there's one factoid of data that the Fed looks at, and that's wage growth. Wage growth has been stuck around 2.5 to 2.6%. As you see that creep higher to 3%, that's going to be when the alarm bells ring at the Fed and they start getting more nervous. Keep an eye on wage data on the monthly jobs report that comes out every Friday at 8:30 A.M.

The second risk is I think geopolitical risk, but the market has been overly focused on North Korea. Obviously, that has been between Trump and North Korea, that has grabbed the most headlines. But I think attention should be focused on what's going on in the Middle East. Obviously, Syria is not an oil producing country, but you have a lunatic there running that country, who is very unstable and Trump has responded to.

You have a crazy situation happening in Yemen. You had a coup that went on in Saudi Arabia, where you had the new prince basically overthrew his own family members, and he's trying to diversify their own economy, away from overreliance on oil. You have a lot of disruption.

Now you have protests going on in Iran. You have a lot of issues happening in the Middle East. Clearly, that has significantly more global economic impact because of the sensitivities of the price of oil, than North Korea does. We could play out scenarios with North Korea, well, if we go to conflict with North Korea, how does China react? You could play the board game Risk, with that all day long.

But until something actually does happen, it's all sort of hearsay.

There is risk within Saudi Arabia. That's where I think investors need to be focusing their attention on from a geopolitical standpoint. Don't worry so much about North Korea. Focus on what's happening in the Middle East.

Finally, and what I think can bring apart more volatility within the stock market is what's going to happen with the outcome of the midterm elections. If you go back to 2010, President Obama, there was a referendum on President Obama. The Democrats got crushed because of the impact on Obama Care. I mean, there was a massive outpouring against Obama and the Democrats after Obama Care was pushed through the voting process and the Democrats suffered. You had essentially two more years of gridlock.

If the Republicans, what we've learned this year, Republicans are not all aligned. Many had distanced themselves from President Trump. Even though Trump is a registered Republican, doesn't mean he is in agreement philosophically with the rest of the Republican Party.

The Republicans are going to have to dance a tightrope of what their constituents feel toward President Trump from a popularity standpoint, and the impact of the tax reform. A tax reform could be to President Trump what Obama Care, the Affordable Care Act, was to President Obama.

I think if you have the Democrats win significant more seats in Congress, and you disrupt, sort of, this Republican legislative pipeline, then the Trump agenda of maybe deregulation and/or potential infrastructure spending, becomes now significantly more uncertainty than it once was, and the market doesn't like that. Nor does, I think the market really care for gridlock in general.

Those are the three big risks that we see is, A, what's the pace of inflation. B, what happens geopolitically to Saudi Arabia, and C, the outcome of the midterm elections in the back half of the year.

Frank Curzio:

Yeah. That is a big risk. I think people are just starting to talk about, that may not be factored in. What is the Senate, at 52/48, I want to say? It's very close and I think a third of those seats are up for midterm. Yeah. It could really disrupt the entire agenda that's going on, which a lot of it, listen, whether you're Democrat or Republican has nothing to do with it.

But we're moving higher a lot because of the reforms that are taking place which are very business-friendly. A lot of that stuff could stop, like you said, an infrastructure will be much more difficult to pass, even though both parties, right, ran on trillion-dollar infrastructure packages. But you'll know that's still going to be like a gridlock, right?

John Petrides:

Yeah. If you look at it, clearly we all know of the outcome of the presidential election was very tight. Really, the swing was the independent voters, or those voters that just did not vote for either Hillary Clinton or Donald Trump, one way or the other and kind of tossed their vote away. Which allowed the Red States to overtake the Blue States.

If those people who sat on the sidelines, either agree with President Trump, or have been swayed where they do not agree with him and they've sort of made up their opinion here within the first year and a half of his presidency, that could be a big factor in moving the polls one way or the other in the midterm elections.

The Democrats are going to be out in full force because of how President Trump tweets and his comments of linking their Republican opponent to the President. It's going to be a very interesting dance to watch in the back half of the year.

Frank Curzio:

Now definitely makes sense. Now, once again, we're talking to John Petrides. I know that when we spoke as well, you said something interesting. I want to change your focus, not just from that whole economic market outlook, but let's dial down a little bit in even maybe sectors and stuff like that. Because you wouldn't really call it a sector, but one of the places that you're worried, that you see risk, is the FANG stocks, which have run up tremendously this year and over the past two years, they've significantly outperformed the markets.

Valuations are high, but we know that these stocks move on valuation. They love growth and most of them still have, you know, huge growth potential, at least some of them do. But you're a little bit worried here, to the fact that, you know, maybe they're over-owned here, and again, I'll talk about it later in my educational segment. But you see like there may be room to take money off the table with these names and throw them into other areas.

John Petrides:

Yeah. If you'll go back to 2017, Frank, what are the three things we spoke about ad nauseum? Trump, Bitcoin and the FANG stocks, right? I mean, those three topics probably dominated 75% of news flowing one way or the other, particularly in the financial markets.

I wrote a commentary quite recently on that the FANG stocks are long in the tooth. My point behind it is, and this goes to Facebook, Amazon, Alphabet, Netflix and Google, and all five of those companies are fantastic companies. I don't think there's a going concern at all with any of them. The question here is what are you willing to pay for them from a valuation standpoint?

The market loves to rally around a story. In my commentary, I go back to the nifty-fifty, of 1969 to the early 70s, these were stocks, 50 blue chip stocks that every quarter, every year, from an earnings standpoint just knocked it out of the park.

You know what some of the names of those companies were? Polaroid, Kmart, Avon. In 1973, right after Watergate and right when the U.S. was in the Vietnam Conflict, you had a major shock to the market from a spike in the price of oil. Some of those stocks went down 75, 80, 80 percent from the peak.

Go to dot.com, where anything tied to the Internet in the late 90s, just saw a massive spike in valuation and fundamentals are way ahead, valuations got way ahead of actual fundamentals for these companies. Dot.com blows up and you have companies like Xcite and Pets.com. It was always the poster child of this.

Then you go into China joins the World Trade Organization in 2000. What happens? Remember the BRIC trade? Brazil, Russia, India, China. You have this massive surge in commodities and precious metals because the Chinese economy was going so strong, they had this insatiable demand to buy all of these raw commodities from all these countries. You had this big sprawl effect for the global GDP.

Then what happens? 2008 comes around. You have basically a heart attack in the global economy and the BRIC trade just falls off the table. Brazil gets crushed over the next five, six, seven years. China's economy is no longer growing near what it was. In fact, they had to devalue their own currency twice in late 2015 and early 2016.

My point is, investors can fall in love with a story and I think that's what's happening with FANG. I think FANG, the group in general, they're all fantastic companies. They're all disruptive to their own industries and to the overall economy. But I don't think valuation is reflecting the bear case at all. I think there is a bear case. I think Facebook and Google are going to have regulatory issues on the amount of data they can have access to and control to, and privacy issues.

I think the Russia tampering of the election, through Facebook ads, is going to get enormous red flag that Congress is going to explore in terms of regulating in 2018. I don't think either of those companies have any political risk priced into them at all. I think that's a headwind.

Apple, you know, Apple's an \$850 billion market cap. For them to double from here, they need to be a \$1.7 trillion market cap, 1.7 trillion. Do you know how many iPhones they're going to have to sell to do that? The law of large numbers, until Apple can convert to a service type of business model, they're still hardware sellers. They need to sell a lot of really cool widgets to grow their topline to meet where market expectations are.

Then you have Amazon and Netflix. Netflix is trading at like 80 times earnings. I binge watch. My wife and I binge watch some shows on Netflix. Everyone else does. But to recreate content every year, which is what they need now, is not easy to do. It costs a lot of money. To have hits after hits. I mean, look at Viacom. Viacom once had the crown jewel with MTV and all the other cable companies. Times and tastes change. So Netflix has to constantly keep up to date with new content, which is not easy to do.

When you're 80 times earnings, which is what four times the current market value of PE standpoint and the S&P 500 is trading at, or the average company is trading at, the market is pricing in that you can do that year after year after year. And I just don't think that's sustainable.

Finally, Amazon is a product that we all use. We all love. I probably purchase 90% of my Christmas presents off of Amazon. Many of your listeners probably do the same. We all understand the convenience. We all understand that Alexa is coming on, Alexa is probably in more households today than it was a couple weeks ago. But here's a company where they're trading at 55 times earnings. It's a multi-hundred-billion-dollar market cap company that last year only had a net profit of \$2.5 billion.

You have a CEO that takes a hundred-year view strategically for the company. Yet he doesn't get on any earnings, quarterly earnings calls. They basically don't disclose much detail in terms of the amount of Prime subscribers they have. How many fire devices they're selling, what they're razor-thin margins are on that.

Any other company, Frank, that would have razor-thin margins, the CEO doesn't come on their quarterly calls. They provide really very little guidance, and then traded this enormous multiple, and the

stock will be a perennial loser. Yet investors cannot get enough of Amazon.

Amazon, to me, looks like the moment where they take their foot off the gas pedal and they allow their cash to fall to the bottom line, ironically, is when the multiple is going to get sucked out of the stock and you could actually see the stocks sell off. It's sort of a very weird dynamic and it's one of the more unusual stocks that I've ever seen in my career.

Long story short, investors love the FANG stocks. They're great companies. They could go higher from here. I just don't think the market is talking about or making any negative scenario at all. The moment that the market becomes convinced that it's only blue skies ahead for a company, is when I think that could be a big pitfall for investors.

Frank Curzio:

Yeah. You bring up a good point, John, about regulation and stuff, because just over the past month, I've realized how crazy it is. I mean, we all know how these guys just collect data like crazy. It's kind of a false situation because of Facebook, right, because everybody posts everything, where you are right now. You're checking in, what you like, and stuff. I get it.

You're searching for stuff in Google all the time, so you know exactly what you're looking for. That's great for advertisers. But now, it's filtering down that these big companies are getting so big. They're using big data analytics and could analyze this data, especially store more stuff through the Cloud than ever before, and analyze data very quickly.

You're looking at companies like Comcast. Comcast, I just opened up my own office this year, about six months ago. And just signing up to everything and making sure everything is okay. But everything is checked off where those boxes, right, where you're like creating passwords and you read them. They say, well, you agree with our policy. You go into it, it says, we're going to sell all your data to third party people. We're going to focus on this way if you get ads.

You're not sending them to Comcast so they could give me ads. This is just Comcast, you're looking at AT&T. You're looking at CNN. If you look at the policies of these companies, it's insane that they're basically saying, look, click on private policy right here and you're going to agree with it. It basically says, listen, you're never going to have any privacy again for the rest of your life, when you

read it.

John Petrides: Right.

Frank Curzio: Something is going to change and I don't know if it's going to happen soon. But you're right, that regulation is definitely not factored in. But as these companies continue to grow and get more powerful, which they are right now, and we talk about valuations that are crazy, which you just mentioned. For Apple and Facebook and stuff, Netflix, there will be changes. I don't think that is factored in.

Let's move on really quick here to, if it's not FANG stocks and it makes sense, because I know that these are some of the stocks that you did like in the past. But what would you transition to if it's individual names or different sectors? Is it energy that's underperformed, materials, telecom, which underperformed. And it's amazing, because as these sectors underperform, we did see them have pretty strong Decembers, especially telecom and energy, right?

John Petrides: Right. I guess the idea here is, you sort of rotate or take some money off the table in tech, which has, again, 25% of the S&P 500. We equally weight the sectors in our portfolios for clients. Right now, we're favoring financials, healthcare and energy.

I think I've been on your show a couple times in the past, pounding the table on financials and despite the fact that the sectors had enormous runs into August of 2016, I still think it's very attractive. The fundamentals continue to be at your back. The wind continues to be at your back for the financials.

With a rising interest rate environment, with an administration that is soft from a regulation, or that's pushing deregulation, with the health of the balance sheets for the banks, that's a really good fundamental story. And the fact that your valuation for most of the banks are nowhere near where we were at the apex of the housing bubble in 2007-2008.

I do think there's room to run here for the banks. Let's not forget, we don't invest in Bitcoin and we think Bitcoin is a bubble. I know you've done your show a million times talking about blockchain and then covering the technology behind Bitcoin. The banks are all knocking each other down to file patents to get involved with the blockchain. I think that you're not seeing the valuation reflected at all, yet, on what the full potential for the banks are. I really like financials here.

We continue to like energy. Energy is at a real nice run, since September, but the underlying fundamentals in the oil patch continue to improve. What is that? If you have a healthy or a healthier and a faster growing global GDP, that's supporting the demand side of the equation. That's not going down.

What you are seeing is a decrease in the supply growth. That's the key. Now, with oil prices going higher, you're right, you've talked about this in the past on your show, is that you're probably going to see some of the rigs be fired up further and you're going to see, particularly in Texas, where you're going to have where the economics are more favorable for the drillers. Where these guys are going to be cranking out more oil.

But if their demand is there to suck it up, and if you have conflict in Saudi Arabia, and if the new prince of Saudi Arabia wants to improve or diversify their economy, they could simply reduce the amount of supply. They could shut off the spigot of oil coming from Saudi Arabia. That's going to reduce the amount of supply onto the market, force the price of oil higher. And then Saudi Arabia makes a lot more money. They could use that to diversify their own economy. The underlying oil patch looks pretty good here.

Then, finally, again, is a long story, the long-term story on the healthcare side is that the global population is growing and it's getting older. That is going to force an overall increase in utilization on the healthcare system. We're not biotech people. We're not traders. We're not looking for the next quarter, but long-term, the fundamentals in the healthcare side look really, really attractive.

Healthcare really has not recovered since the August 2015 selloff when the government started to get more aggressive on regulating pricing, or at least rattling the saber there. We think by and large, large cap healthcare, particularly on the pharma side, they have big balance sheets. They generate tremendous cash flow. Their return on cash is by paying a dividend, growing a dividend, buying back their own stock.

You'll see increase M&A in the healthcare space as companies, instead of paying out, allocating more dollars to R&D, they're going to buy smaller companies to bolster their pipeline that way. I think with the new tax reform, they reduced the tax to remove the tax credit for R&D spending. So that'll probably lead to further M&A activity in the healthcare space.

Given the fact that tech is a quarter of the index, and it was up 40%

in 2017, and valuations aren't as attractive as they once were, I think it makes sense to look at other sectors and rotate into other sectors, where I think the fundamentals, plus the valuation, is attractive for the long-term.

Frank Curzio: That makes sense. Without giving anything away, John, here, because I know your clients pay a lot of money for your research and stuff like that, do you have any names to share within those sectors that you kind of like? And if you don't, it's perfectly fine, I put you on the spot, but I know sometimes you do share some names with us and I know my audience loves that.

John Petrides: No, you can't come on the show and not talk about individual stocks. But there's nothing here, if anyone is looking for that micro-cap, undiscovered name, then I'm going to be sad to disappoint you. A, we're not into that environment anymore, where valuations are overly attractive.

But the big cap names, within each of those sectors, are very attractive. I think if you're going to play financials, the real proxy there is Bank of America. Bank of America is trading at 1.2 times book value, which is a massive to value banks. Typically, I think at the peak of the crisis, it hit about 2 times book value. They had \$2.2 trillion in assets. I think they filed over 3,000 patents on blockchain technology.

The company did something interesting. I think it was in November or early December. They announced the \$5 billion sharing purchase program. Now why is it interesting? Bank of America stock is up about 100% since August of 2016. This is not a company where they're in a normalized earnings environment, and they're trying to goose their earnings higher by buying back stock.

To me, that's a signal that management has significant confidence in their outlook going forward. They think interest rates are going to go higher. They think they're going to make a lot more money going forward. Plus, they invest their earnings per share are going to go up higher. I saw that as a huge vote of confidence from BAC, Bank of America, which by the way, we own across our client portfolios. I do not own Bank of America personally, nor does my family.

On the energy patch, I like Conoco-Philips. Conoco-Philips got caught flat footed when the price of oil dropped \$25 a barrel in January of 2016, so much so they were one of the few mega cap E&P companies that had to cut their dividend. Management, I think, was very embarrassed and ashamed by doing that. They

never wanted to relive that situation again.

So they entered 2017 looking to shed between \$5 to 8 billion in non-core assets. They wound up selling \$16 billion in assets in 2017. They're using those proceeds to reduce that on their balance sheet to buy back stock, to invest in other oil fields, where they have a higher return on invested capital.

Conoco-Philips is setting itself up in the future to be one of the more financially stable E&P companies out there. When there is increased volatility in the oil market, they'll be able to pick up market share through acquisitions and such. I really like Conoco-Philips here from an oil play.

I guess finally I like in the healthcare space, Gilead. Gilead started out its growth on the back of its leading HIV franchise. That was a major cash cow for the company for many, many years. In 2009 or 2010, the market got very nervous on Gilead, because they didn't see what the follow-up was to the HIV franchise. Where was the growth going to come from? They didn't have that deep of a portfolio.

Well, in 2012, Gilead went out and made a massive, I think it was a \$12 billion acquisition of a company called Pharmasset, which did not earn any profits at that time. But had the hep-C drug, which later became Sovaldi, which was a one-and-done pill, cure-all to hep-C. They have a patent expiration on that in like 2025 or 2027. From like 2012 and 2015, Gilead could do no wrong because of the growth of Sovaldi on the back of them milking the cash flow from their HIV franchise.

Well, now, because the regulation on drug prices, Sovaldi has lost market share. There have been a lot, and many other competitors that have joined the hep-C space. The margins and the growth profile of Sovaldi has gone down a lot. Well, in 2017, for their third act in terms of acquisitions, Gilead bought a company called Kite Pharmaceuticals, which has a very strong oncology cancer franchise, particularly in immunotherapy.

I know you have done, many years ago, Frank, you did a lot of work on immunotherapy. Gilead is now into that space. In 2019, that's going to be an accretive acquisition for them. Now they have the third stool of growth here. They're milking the HIV franchise still. They're milking now the hep-C franchise. They have over \$11 billion in cash on the balance sheet. The company trades at 10 times earnings, which is a huge discount to the S&P 500. You have a near 3% dividend yield.

What I like about the stock is I don't think the expectations are high at all for future growth. I think the Kite Pharmaceutical will provide an injection of growth and they have the balance sheet to go out there and do further acquisitions and/or return cash to shareholders.

I think Gilead is a real nice play in the healthcare space. And the stock has been, maybe it's flat over the you're or it's been down. It has been a poor performer. It's not like you have a massive, a great short in the past that you're working off of. It's one of these where the market is very low expectations. I think if you take a longer term view, Gilead looks like a cheap stock here.

Frank Curzio: As always, I appreciate you sharing this now. We have one minute left. This the biggest question, by far.

John Petrides: Oh, by the way, by the way, Frank, Frank, Frank. Just full disclosure. I do own shares personally of Conoco and Gilead. Certain clients of Point View own all three stocks.

Frank Curzio: Okay.

John Petrides: Just full disclosure. I don't want anyone thinking, hey, you know, John is coming on here and he's pitching one and he short the other. We want to be as transparent as possible here.

Frank Curzio: No, and I know everyone appreciates that, especially me, then. This could be the most important one out of everything, because I love that you shared ideas. I know my audience loves that. But I need one more prediction from you.

John Petrides: Go for it.

Frank Curzio: This is, again, very important. The Super Bowl, who's going to win it and why are they going to win it now. The playoffs are about to start.

John Petrides: I think it is New England. There's a shocker. And the Saints. I think the Saints pull an upset. Maybe there's a little bit of bias hope there, because I'm tired of the Patriots winning every year.

But the Saints offense looks really good. I mean, they are tough to spot. They're tough to spot. They have so many weapons. They have a quarterback with a lot of experience, with a proven track record. He's a Super Bowl winner. The Saints finally have a decent defense, where they can compete. Usually they're a one-trick pony. I like a New England versus Saints Super Bowl and the over on

those two, if they were to make it, is probably going to be like 60. That's my thoughts on the Super Bowl.

Frank Curzio:

Yeah. I know. I really like Minnesota here. I hate to say, everyone thought I was a Philly fan, but ever since Wentz went down, it's a totally different team. I do think the Saints are going to wind up beating the Eagles. I hope I'm wrong on that. Even though they've got to go from a dome, but you know what, I'm not sold on New England.

I know the AFC is kind of weak this year, because Pittsburgh is not going to have Antonio Brown. And you have Jacksonville, which is a wild card. It's number three. You don't know how they're going to ... I mean, they're not a wild card, but it's kind of wild card where they could play great or not play great.

I think the NFC is definitely going to win the Super Bowl this year and I'm going to go with Minnesota, because I haven't seen any weaknesses. I haven't seen anything bad from that team yet, but the Saints do look very, very good. It is going to be interesting. It'd be nice to see Minnesota actually make the Super Bowl, since it's in Minnesota this year. That's going to be insane.

John Petrides:

Yeah. That's true. You talk about a franchise that's had tough luck. How many times did the Vikings either make the Super Bowl in the 70s and lost with teams they should have win and/or how many missed field goals has that team had-

Frank Curzio:

I know.

John Petrides:

... in the NFC championship game. That kicked them out. Yeah. I mean, I guess my uncertainty with the Vikings is Case Keenum. He manages a good game, but if you have a two-minute drill and you need to march down the field to win the game, do you want the ball in Case Keenum's hands. That doesn't give me the warm and fuzzies, you know what I mean?

Frank Curzio:

Yeah. Well, last I hear, guys, because I know how much everyone loves sports. I always gets questions, Frank, it's too much sports sometimes I throw in there. But, if Minnesota makes the Super Bowl, which I know you're going to find interesting. I don't know if you knew this, but I just found this out, they're going to be the visiting team. So they're going to have to be in the visitor's locker room for whoever they play.

John Petrides:

Oh, that's amazing.

Frank Curzio:

I thought that was pretty funny. I'm like, oh, that's pretty cool. So John, thanks so much for coming on the podcast. You always share so many ideas, so much insight and there's a lot of research behind this. It's not that you're coming on, I can tell that you prepare a lot for this and you really ... Yeah. My subscribers love it. My listeners love it. My followers love it. You're always there to give ideas and you're always there for me to come on the podcast. I love having you on and I really appreciate you start off the year, this year.

John Petrides:

Thanks a lot, Frank, for having me on. I love doing the show. Again, good luck to you and all your listeners in 2018.

Frank Curzio:

All right, Bud, thanks, man. Okay. As always, great stuff from John. I love having him on. I love that he presents ideas to you. I love that he always follows up with those ideas, whether he's right or wrong. I love the fact you see with his disclosures. He's just an honest guy, a great guy, and he's a fantastic analyst, that I know that has just given you some amazing stock picks over the past two, three years that he's been on this podcast.

But again, I like John a lot. I love having him on and I get pretty good feedback, at least 95% of the feedback is positive. But this podcast is about you. It's not about me. I want to try to put great guests in front of you that are going to help you learn, give you ideas and stuff like that. Let me know what you thought, at frank@curvioresearch.com. That's frank@curzioresearch.com.

Now let's get to my education segment. We have every brokerage firm releasing their 2018 outlooks, favorite stock picks, economic forecasts. And like I mentioned during the interview, nobody predicts that the market is going to go down. Nobody for 2018. Everybody is optimistic, which kind of scares me.

I remember that in 2008. The end of 2007, right, we saw sound cracks in the foundation and I remember, because there were three other analysts working on Jim Kramer's team. They asked me, "Where do you think the market is heading?" I said, "It's going to go down at least 10% this year." They said, "Are you crazy? You think it's going to go down? I don't know anyone that thinks it's going to go down."

Sure enough, I was wrong. It went down about 25, 30%, 32%, I think that year? But everyone's forecast, even with a lot of those risks, right, those cracks showing in our foundation, nobody thought it was going to come down. And I turned out to be wrong. I didn't know it was going to go down that much, which I did, I

would have took everything out of the market.

But I figure we're going to get a pretty big pullback. I kind of feel that way a little bit in 2018, but the stats and figures I'm going to show you right now go against ... Listen, my job is to present all the data to you. It's not presenting data that supports a hundred percent of my opinion, because as we know, I could be wrong sometimes, believe it or not. Sometimes, we're all wrong, right? So we want to get as much data as possible and check our ego at the door and look at this information and see. And say, hey, what am I getting wrong? What could possibly happen? What are the risks to my forecast?

That's what we're going to do now. It's got a lot of great facts and figures to share with you. Since they may, probably, I'd say like the result and you're making some significant changes to your portfolio. Starting with FANG, which we talked about with John just now. These happen to be the most over-owned stocks in the S&P 500 right now.

It's not surprising since these names are the best performers, which will result in your allocation of these names, if you bought these names, over the past 12 months, 18 months, as they go higher, it's a percentage of your portfolio, it's going to increase, right. As these stocks go higher, and you have \$100,000 in there and these stocks double, you're going to have 200,000. It's going to count for more of your portfolio as a percentage.

Now they're completely over-owned, like really over-owned right now. Meaning that institutions own a ton, like 70% of institutions have technology as their top sector, which is kind of crazy. Now, if you look at that, right, it's not surprising, because it makes sense to own these stocks. They've gone higher and higher and you want to put them and show everybody, hey, I own Amazon. It's a fund and I own all these Netflix, everything.

What is surprising is if you look past, over the past say five, six years, right. The most over-weighted stocks at the beginning of the year, again, which is Facebook, Apple, Google, Amazon, Netflix now, usually underperform the most under-weighted stocks. So these are under-weighted stocks, under-owned by institutions. And they usually underperform by a lot.

Now, we really didn't see this happen in 2017, but it's happened in like the five previous years. I think we're going to see this trend happen again in 2018, as there's not a lot of funds out there left that don't already own the FANG names. They have significant part

of their money allocated to technology, which is underperforming in December. Compared to a lot of other sectors, a lot of things really took off in December. Look at telecom. Look at energy. That was just in December.

So you're looking at these names and what's going to happen if they do start trending lower or we do see regulations in this industry. We're going to see massive selloffs in these names because people are going to just run out of them and they're so over-owned by institutions, you could see a big selloff. It's nice owning these things if they go higher, but the growth rates are intact. We all know a lot of these companies are very, very good.

But, again, we want to look at the risks when we're really, really bullish on something. Just like if we're really bearish, we want to see how could I be wrong where the stock could double or triple if I'm wrong. That's what we're doing here.

You're looking at these FANG stocks and they have super-high valuations. But the expectations are even more higher, because less than 5%, I would say probably less than 3% of maybe the 200 hours or so. I know there's over 50 that cover Apple alone, covering these names, have neutral sell ratings. You barely see it, how many sell ratings have you seen on Google, Netflix. Maybe a tiny bit on Netflix, on Apple. You don't see sell ratings on these stocks, almost never. You're crazy. These companies are large and get huge investment banking business from them, especially from Netflix and Tesla and stuff like that. They have tons of debt.

But you're looking at there's hardly any sells. Man, I'd say less than 1% of sells have a sell rating on it, the analysts on Wall Street, and probably less than 5% are neutral. All of them are buy ratings. The expectations are sky high. I know what you're thinking. Well, Frank, what are some of those under-owned names?

Well, according to Merrill Lynch, does a great job of keeping track of these trends. Leggett & Platt, LEG is one of them, Universal Health Services, UHS, is another. A lot of rates, they have on that list, right. It's been significantly underperforming. They have been coming back a little bit in December, though. Alion Energy, LNT. UDR, which is symbol is UDR. That's the company name. Guys, they may seem like small cap stocks, these are multi-billion dollar companies that are just really under-owned by money managers.

They're cheap names. Stocks that you're probably going to see money flow into. They could easily pop a lot higher, because when you look at you and I purchasing some of these stocks, we want

to pretend that, hey, you know, we're big shots and we're buying these things with nothing. Right. When you look at these funds that manage a teacher's pension, CALPERS and stuff like that, we're talking trillions. Trillions of dollars where allocations of a few billion, five, six, seven billion, can flow in and out of these names right away.

If that happens, you're looking at these stocks making significant moves, especially if we see that further downturn technology or just some profit taking in technology. These stocks are going to crash by 10, 20%, but when you're up, a hundred percent on a name that you originally analyzed and said I could make 50% over the year and they're up 100%, it would be smart to lower your allocation and try to go into some of the names that have underperformed. Those are a few on the list and I love giving you guys names.

Now tech and healthcare are two sectors where institutions have the most exposure. I mentioned earlier that 70% of active money managers overweight these two sectors. Financials and consumer discretion are the two other sectors they have big exposure to.

But when you look at real estate and telecom, they're the most under-owned, at least as of December 31st, which is just a few days ago. It's amazing, because these two sectors have saw some really nice moves, as I mentioned several times in this podcasts with John, AT&T rise, and especially in telecom.

Utilities, materials and energy are sectors where money managers are underweight. I can tell you, if you look at energy guys, I do lot of research in the energy sector, they based their analysis, right, which they have to, everybody does, they base it on their analysis and they pick an oil price or they'll pick a uranium price.

So if it's a material company, right, they're going to base it and say, okay, our forecasts are based on ... And they have usually three scenarios at least, and they'll have on \$3 oil prices or \$50 oil prices and \$70 oil prices. Right now, almost all the companies or all the research firms that I see in the energy sector, none of them, none of them, have \$60 oil prices. Their numbers are all based on between \$50 and \$50 oil prices this year. More like 53, 54.

Everyone I see, I don't see anyone over 60 at all. I haven't seen it. If you have seen it, or if there's analysis, no, we have a lot of institutional guys and money managers that listen to this. If you see it, send me the research, frankcurzio.com.

When I analyze these companies, the analysts and sometimes they'll get those forecasts from, it's Goldman Sachs. They'll have a whole energy department where they come up with a forecast and everybody uses that forecast. You can't have a different opinion. You just have to use the energy forecast and base your numbers on it.

Nobody has 60. Maybe it goes to 50, maybe it goes to 40 this year, I don't know. But if it goes to 65 or it stays at 60, I know next quarter earnings, they're going to blow out these numbers. I haven't seen that factored into these numbers within energy.

If you're looking at buying companies in the Permian, right. The Permian is \$40, \$45. These companies can make money. What do you think they're doing here? That's where you're seeing the biggest jump in reg counts. Not in an Eagle Ford or anyplace else. Not in the Marcellus. Not in the Bocken, I visit all these places.

You're seeing the Permian, especially within this four-county area. There's a good dozen companies that operate there, that are drilling like crazy. You could produce a 40 and it's 60 right now and sell it for, whatever, 55 on the market. You're going to produce as much oil as you possibly can. So it's going to result in huge earnings for these companies, which I don't think is factored in right now.

Yes, we see moves in some of these stocks. But still, those earnings expectation, what I see, are all based on much lower oil prices. Remember, we have Iran, we have Saudi Arabia, a lot of unrest in the Middle East right now where, yeah, Iran is huge, guys. The current production cuts from OPEC are nothing if Iran ... I mean, Iran is so much bigger in terms of just the amount of production cuts that we're keeping right now.

This is huge, where you could see 65, 70 if this unrest continues. Think about that, of increasing your energy exposure and you're seeing a lot of these companies move up. But I don't think that's factored into a lot of names, of these higher oil prices right now, their earnings.

Looking at materials. We're seeing infrastructure packaging in 2018, hopefully before midterm elections. If not, it should still take place considering Hillary and Trump both ran on a \$1 trillion infrastructure plan, but we know these idiots in Washington are going to do everything they can to disagree and tear it down, even though they'll agree with the other.

If it's the Democrats or the Republicans, whoever comes out with a plan, the other side is going to disagree no matter what. Even if it's the exact same plan. If the Republicans come out with the exact same plan as the Democrats, the Democrats are still going to disagree and vice versa. It's just the way Washington is right now. It's terrible.

But we should get that passed, which is going to be a boon to material companies. There's a lot of infrastructure ETFs out there. Whether it's steel, copper, and steel's running incredibly high, so is copper. It's likely continue through 2018. But amazing, because a lot of these stocks within these sectors, some of them have, but a lot of them are still underperforming the market.

Even though you're seeing their underlying commodity move higher. If you're going to buy infrastructure ETFs, guys, make sure, because I would say 90% of them don't have as much exposure as you think to the U.S. It's global. Make sure they have a lot of U.S. exposure. You'll probably do well.

Now, watch it real quick. Take a look at these economic stats. This is presented by eviCore, Boston research firm. You know how I feel about stocks in 2018, where you have to be cautious, more bullish going into the first quarter. I think earnings are going to be very, very strong. Tax reform and stuff like that. But, I told you earlier, I want to present all the data to you. That's my job, to try to give you as much data as possible. This way, we can all come up with a good decision.

Again, I could be wrong, I could be right. I've been right more than I'm wrong, that's why I do this for a living. But for me, I like to challenge my beliefs. That's how I become a better analyst, not by just searching out who has the same forecast as me and you all high five each other when things work out, or you could all be wrong. I want to see where I could be wrong.

My goal is just for all of you to become millionaires and retire and stuff like that. To do that, I have to go the extra mile for you and provide that research. When you look at these stats, it's really interesting, because we could see a much higher push in stocks in 2018 than I originally thought. Because if you're looking at holiday sales, they are really strong. We nailed department stores. They're going higher, they're doing very well. I told you about department stores for a while. One of my stocks is finally really starting to take off and do well after an early downfall. Now it's probably up 12, 15% of that position.

In the past, when we saw holiday sales that are strong, getting a lot of this coming from e-commerce here, this has led to a very strong GDP number, that first GDP number that comes out for the year. Which is forecasted to be at an amazing 3.5%, guys. Remember Trump was talking about 3%. Again, I don't care if you hate Trump, like Trump, this isn't politics. I'm just saying, when he was talking about 3%, everybody thought he was crazy. We're at 3.5% and you know what, that might be conservative. Because if you look at the dollar, the dollar fell 10% in 2017.

When you look at past years, when it's declined this much, GDP, the following year, average is above 4%. 4% GDP growth is definitely not factored into stocks, guys, it's not. That's a massive, massive number. That's a huge number. If you're looking at a higher number, now you're looking at our deficits coming down. I mean, that's the whole point of this, because we know our deficit is going to go higher and higher and higher. It's funny, where we lower taxes and people are like, "Our deficits are going to be out of control."

Well, you know what, at least you get to spend the money now, instead of our politicians spending money, where nothing is accountable, right? I mean, you can look at the Post Office, where UPS and FedEx make a fortune. The Post Office loses billions and billions of dollars every year, because they never fire employees. They don't look at profit and loss. They don't care. They just keep funding, funding, funding.

I'd rather I have that money to spend if the deficit goes higher, instead of giving it to politicians who are probably not even going to be reelected four years from now when our deficit's much higher. Look at it that way for tax reform.

But anyway, you're looking at tax reform, get another huge, it's going to begin in Q1 tax cuts. Where analysts estimate, from what I'm seeing, appear to be too low right now. Sure, we've seen a huge push higher in stocks, based on the passing of tax reforms, but we could see further upside as I bet, and I'm going to make a prediction, more than 75% of the companies in the S&P 500 are going to beat earnings next quarter. They're probably going to raise guidance.

Again, we've seen stocks move up higher, but the analyst estimates, we see the headlines on CNBC. We're going to see a lot of companies beating, on average, it's like 67% every quarter. I bet you it's going to be more like 75%. Not because business is so booming, even though for retailers, we've seen business booming.

We're going to see earnings go higher because of higher energy price and energy sector.

Healthcare companies, healthcare insurance companies, the best business in the world. They challenge everything. They make a fortune. That's the greatest business ever to be in and profits forever.

But when you really look at tax reform, you're going to see, a lot of those headline numbers when you see it on CNBC, where the company, oh, whatever. Honeywell just reported and I'm just making up a number here, is supposed to report a dollar. You're going to see a \$1.25. They blew out earnings estimates, because a lot of this is you see tax reform is factored in. They're going to raise their guidance. I think the analysts from what I see are behind this curve.

Stocks have moved higher, but let's see if that's factored in. It might not be, a hundred percent. The S&P 500 increased 20% last year. In the past, when this happened, GDP the following year is usually really, really strong. So who knows? That 4% number might even be conservative. Which again, is definitely not factored into stocks. You have minimum wages going up in 18 states and 20 cities. That's going to start now. More money means more spending, which again, something else that could drive GDP even higher, Q2-Q3, in expectations.

These are positive factors that will probably drive stocks higher, at least in the short-term. But, we're going to see inflation, 2018, it means much higher interest rates as the Feds schedule and raise rates at least three times this year, maybe more. That's what they're factoring in. Politics remains a big wild card, where infrastructure, deregulation, those changes are not a given. Midterm elections just around the corner. You have stocks trading close to all-time highs. Again, a lot of this news is factored in. My advice when I look at all these numbers, these statistics and a lot of this you see from brokerage firms coming out and my job is really to analyze this and come out with a big picture for you guys. Stay long, at least for this earning season. Maybe the first three months of the year, as earnings are definitely going to be strong. But analysts are going to be forced to adjust their estimates high, which means, those are going to be higher expectations for Q2, Q3, Q4, that are going to be difficult to meet.

With higher interest rates, right, you're basically taking away that huge punchbowl that has resulted in a lot of companies have cheap debt and spending and all this money floating into the

market, because you can't earn a yield anyplace. But when you take that punchbowl away, you have to be careful. That's going to happen in 2018. That's why you need to be cautious, especially past six months from now. You want to be smart, FANG stocks are up. You're up a lot. Take a little bit off the table. Don't take a lot. These stocks will go incredibly higher.

But there is risk. There's regulation risk. These companies have been the top performing sector for two years and you know there's always cyclical, there's rotation out of sectors into others. We're going to see that. I mean, telecom, Verizon, AT&T, these companies are paying huge dividends.

Look at energy. Again, rotations into a lot of these names. I want to see you make money, be careful here. I still have the same forecast, but I could be wrong where this bull market extends maybe six months, maybe even nine months, or through 2018. But for me, I'm still cautious. I think it's going to be a great first half of the year, at least first three months of the year.

Everybody be smart, again, my job's not to present just the data that supports my thesis to you. I want to just send you everything. This way, I learn or you learn, right, to come with your own analysis and projections, because after all, we all want to be right. We all want to make money.

But we also all want to be really smart here. Protect our nest eggs, as this bull market is pushing into its eighth year, guys, eighth year. Which make it what, maybe if not the longest, the second longest bull market in history, for duration. We all know, hopefully we all know, bull markets and also bear markets, they don't last forever. For me, I just want you to be prepared, and hopefully I've done that with that educational segment.

Okay. Guys, don't forget to check out my Curzio Research Facebook page, posting a lot of live videos. I'm going to start again, a week off, spend time with the family. A ton of views on these. Awesome. They're getting shared a lot, which is really cool. Also, posting a lot of free content, like our weekly breakdown, where we take the best stories and stuff like that that we see each week and post that. All that stuff's for free.

Again, we want people who are just listening to this for the first time, it's introduction to our research. You get to know what we do and hopefully you'll subscribe to our products, because we are a business and that's how we make money.

Also, for Facebook, guys, I would definitely go to the Facebook page, because I'm going to be posting a lot of videos, comments, from the CES. We talk a lot of great stuff. I would definitely check it out, because you're going to get a perspective on the Consumer Electronics Show you're not going to get from everywhere else. Since, most, and when I say most, I'm talking thousands of media companies and blogs.

There's a lot of companies that are there that cover everything. They like to report the big stuff that you can find anywhere. You're going to look at the top 10 trends you saw from CES for 2018 and like eight of them, or nine of them, are on everyone's list. So everyone knows about them.

My job is really to go in there, to find the stories that few people are talking about. These little companies that have the potential to disrupt markets, and get into them early and we've done a great job of that in the past, in the CES, coming back and recommending really great stocks, telling you guys avoid wearables, avoid 3-D printing.

Those are two trends that I knew that were really, really tatter when I came back in saying, guys, these things, 3-D printing is not on the consumer level yet. Still too difficult. The wearable market, man, you should have seen the forecast two years ago on the wearables. It's incredible. We're still not even close to some of those forecasts.

They've all been drastically lowered, a hundred million devices and all this stuff. You have a hundred companies that are going to be presented at CES, and they don't have anything different. They all take steps. Monitor your heart rate, or do different things. But it's kind of like all these companies together, it's just fragmented where it's so hard to make money off that industry.

But, yeah, we have come back and bid big believes of IOT and made money again. I told you about a couple of those stocks in the intro that we made money on. Probably about a good seven, eight companies over the past five years, that have gone up a hundred percent or more for us. Just from me attending this event, going to my key contacts, meeting executives and stuff. All that stuff is going to be reported on Facebook. I promise you I will be doing some live videos for you. Definitely check it out.

This way, you get that perspective, the real perspective. Not just the hype stories that you're going to hear every place else. That's what I want to bring in, new ideas, so really, really cool stuff and definitely check it out on our Curzio Facebook Research page.

So, guys, that's it for me. Thanks so much for listening. Look forward to having an awesome 2018. I'll see you in seven days. Take care.



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