

WALL STREET UNPLUGGED

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

Frank Curzio:

How's it going out there? It's January 17th. 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. We just got home from CES. It's a consumer electronics show. It was last Thursday. Took a red-eye home. I had to get home right away 'cause on Friday I had to drive two hours to Daytona to see my daughters compete in a state cheerleading event. I've been on the road a ton. I'm actually leaving on Saturday, I think, at 4:00 am to head to Vancouver. I'll be speaking at the Vancouver Resource Investment conference.

I'm also taking an exclusive tour which is a six-hour drive. I'm going to Washington to visit a crypto company, legit one, a very good one that's actually seeing a lot of interest from several of the world's largest mutual funds. They're investing in the early stages. This company's supposed to go public, I believe some time in February. Very excited about that and I'll talk about Vancouver in a few.

But I got home from the CES. Again, I was exhausted taking the red-eye. Soon as you get off, it doesn't matter with your family and everything, right? They're like, "Here's the list of things to do." It's fine 'cause my wife had the kids the whole time, but my wife just started to give the details of the event, right? For the cheerleading event. Some of those details were pretty interesting 'cause it's like how we ... We, right? I've got to stress the word "we" ... Have to wake up at 5:00 am on Saturday morning so we're going to drive to a hotel, basically Friday night. Just got home, right?

So wake up 5:00 am Saturday morning to get our daughters ready or dressed. Put these crazy bows and do their hair and stuff like that and splash tons of makeup on their face. Using the word "we" because in reality, I'm not there to put makeups on my daughter. I'm not there to do their hair. I'm not there to help dress them, these crazy outfits that barely fit them. I'm strictly here to be the punching bag, which is fine 'cause you know that getting your kids up at 5:00 am to enter a huge event that's being held in a gymnasium that sits tens of thousands of people.



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Then when I walked in this thing, I thought I was going into Allen Field House. Maybe not that big, Allen Field House. Kansas Jayhawks play there, in case you're not a sports guy. They have lights everywhere. They cut off half of it so think of ... It's not on a basketball court but think of half of a basketball court being cut off and they have all these lights and the mats and stuff like that. Think of when you see those cheerleading competitions. That's how big it was, it was like the ones you see at Disney World and stuff.

So when you have all that going on, you wake up that early, you know nothing's going to go as planned. Now, there're like 10,000 cheerleaders at this event, so it's a weekend event. So we're talking more than 7,000 mothers if I had to guess, over the course of this event, over the few days, that are high stressed to the max. Very angry. I mean, you could send them into any war and they'd kill anybody. I mean, the anger is incredible because there's so much that goes into this event. There's a million things going on and you're completely stressed.

So my wife's going to be yelling at me for no reason. I'm sure a lot of husbands that did go to this. They're just super stressed and that's perfectly fine. So you just kind of stay out of the way. You run to get them back breakfast. You kind of pack everything up from the hotel when you're done and you drive them to the event. Your job is to make sure you don't say anything. Don't compliment them. Don't say anything. Just don't say anything 'cause you're going to get yelled at. Don't even tell your wife she looks nice. It's a disaster.

I get it. To my wife's credit and all the moms out there, I'm not making fun of you or picking at ... I get stressed sometimes just like you in certain scenarios. But the things that moms do for their kids is incredible. The amount of work they put into some of these events, I mean, I can't use a better word than "incredible". It's really stressful because they have to have everything absolutely perfect, right? Because it's not just your daughter doing one thing. If their hair is off or anything's different, I mean, you're going to a cheerleading competition with a whole bunch of different girls and everything has to be perfect.

Then even worse is the coaches of these cheerleading squads are ten times meaner than the mothers at their worst times during the most stressful moments. So if your kid is late or something off, oh! Forget it. Mothers get screamed on. "What are you doing? I told you. You got to be a-" I mean, the wrath that they unleash on the mothers is not pretty and you see it there. You see it as you walk

in. The coach is like, "What is ... I can't believe you look like this. Come here, I got to fix it."

I mean, the cheerleading competition is ... I'm new to this. This is the first time my kids are going into something like this so it's such a crazy thing, but I can tell you if you want my best investment idea and that's what you guys look to this for, start your own cheerleading organization. I mean, the cost ... Again, I'm going on this first ... The cost to go through a full season of cheerleading is more expensive than buying season tickets to the Lakers and your outfits are like \$200 and a lot of times, they're going the outfit. So it's going to cost you thousands of dollars throughout the season yet you have to pay a fortune just for the classes.

Traveling to these events are a fortune and they really don't give you details. So yeah, our first details of going to this event, I'm not kidding you. Our daughters were performing early in the morning, so 8 or 9 and they said the awards are going to be at 8:00 pm. I'm like, what are we going to do the whole ... So then we have to get another hotel room and then they're like, "No, it might be at 6:00 pm." Then when we were there, they're like, "No, the awards are going to be at 1:00 pm." We're like okay.

So they let you know all this stuff when you're there when the original plan, if it was 8:00 pm, you kind of have to get a room 'cause what are you going to do with your kids? Just going to stay there all day. You'd like for them to relax but they don't give you any details, which makes it even more stressful. But you get there and you have to pay \$10 to park. I had to pay \$4 tickets to get me and my wife in. I mean, that's more than you pay to go to a minor league baseball game. You have a small bottle of water, it was like 3 bucks. Dippin Dots, which if one kid gets them, every single kid in the whole entire place has to get 'cause they like, "No, they got it. They got it. They got it."

A small coffee was \$3.50 and they don't even give you milk. The best part of this event is these people, they're trained to upsell you, which is incredible. It's like they just read the top marketing books on Amazon and stuff. I mean, I buy the ice cream for my daughters. I'm like, okay here you go. Here's 12 bucks. And the waters, here's 20 bucks for two waters and two tiny Dippin Dot ice creams right? The girl's like, "You want any more water? You going to be here for awhile? It goes great with ice cream. I can give you two for \$5. If you want a bag of chips for your wife." I'm like, "Lady, leave me alone. I'm broke. Leave me alone. I'm good, I'm good." But they were trained to upsell you, which is incredible.

You walk into this place, you shake someone's hand and you got to give them five bucks. They make an absolute fortune and I didn't realize it. I guess it was just so surprising to me because I really didn't know too much about these events. My wife didn't as well. But seriously, if you want to make a million dollars inside of three years, start a cheerleading organization where you have these big events and stuff. The amount of money they make is incredible, but for guys out there if you listen to this podcast, if your kids or your wife want to get into cheerleading: "Let's get the kids into cheerleading." Do everything you can to say no. Go to Google. I'm sure you can find stats on how excessive cheerleading leads to shin splints or causes damage in your knees or whatever, because when all is said and done with these events, it will probably cost you less to send your kid to Harvard than pay for them to go to cheerleading competitions over ten years.

I've even talk to several mothers there. They're like, "Yeah, I just dropped my daughter off" and they're like 16, 17, in the older competitions. So they're hanging out with their friends at night and I went to grab a drink and there's a couple mothers there talking about it. "Yeah, you got to see how much it costs. We've been doing this for ten years. I have no life." It just consumes your whole life and it's so crazy!

Anyway, with that said, kudos to my wife who did a ton of work. I love you. I'll gladly be your punching bag all the time. Sometimes you need me to be a punching bag. I'm there. My daughter's really really proud. It's the first competition. I had no idea how big this event was. Seriously, it was a major, major, major gym at a school with three level of seating. I mean, they actually had numbers for the sections like 204, 205, 206. That's how big this place was. I thought it was going to be kind of like at a gymnasium and they killed it in front of a lot of people. So very, very proud of my girls. Very, very busy this month. But yeah, that was something I didn't expect and like I said, when it comes to cheerleading, guys. Man, just be careful. Expenses are crazy but, I guess if your daughters really love it, it's worth it. But just be prepared. I'm trying to help you guys out.

Moving on, it is conference season. Came back last week, gave you a great perspective on a consumer electronics show, especially the Curzio Research Facebook page. Guys, check it out. I'm going to start posting more videos that I took. I did a lot of live videos. Posted a lot of pictures but there's other videos that I took outside of that, that I'm going to start to show you with different companies. Again, that's for free, so you're going to see some

really awesome videos, great pictures of me at the event and that was in Las Vegas.

Then last week, I had a special podcast for you guys where Mark Lichtenfeld came on and talked about the JP Morgan Healthcare conference. A lot of major moves in biotech just from that conference, including one of ours that pulled back, which we're writing about now and that's in Curzio Venture opportunities. Great, great company. Pulling back, I think it's an amazing buying opportunity 'cause basically they're having a little bit of trouble getting their money, getting the payers. It's the insurance companies, right? Pay for their product. I don't want to give too much away but it's turning out to be a great opportunity.

So their lower estimate stock came down but a lot of these companies give you the updates or their report on what they expect next quarter or revenues or deals and stuff like that. But you're seeing major moves and even Juno's getting taken over, I believe, by Celgene. That stock goes up a lot today. But a lot of interesting things happen at that conference and I want to try to give you a perspective of all these conferences 'cause January, February, March, that's conference season. That's where us as analysts have to do the most work, really dig into these companies 'cause these are market moving events and in the middle of this, what do you have? What's going on right now? Earning season.

So it's a crazy time that you need to pay attention to. I know you may still be a little bit tired coming off the holidays but these three months are make or break for you 'cause it's going to be able to cut your losses on stocks that you really don't like or buy into ideas that were amazing that you saw that a lot of people aren't really going to be talking about. 'Cause you did the boots on the ground, you at the conference and even at the CES, I saw I think five or six subscribers there which was cool. They're like, "Frank, I can't believe it." I was like, "Yeah, I actually do the boots on the ground."

So yeah, obviously, sure I had my headphones on and I'm visiting companies, stuff like that. It was great. I love when people see you and say hello. Those subscribers were actually doing their homework and their research too, trying to find new ideas. That's how you find the new ideas before they're mentioned on CNBC, before they're mentioned in Wall Street Journal, by going out there and going to these conferences and just talk to everybody.

Talk to the people ... You don't have to have the best industry contacts. You build them up over time. 'Cause you're going to these booths. You're talking to these companies. You get their

phone number and you just ask ... They're there to answer your questions. Ask every single question you want in every single trend at the CES. The JP Morgan healthcare conference is cool. I'll get another update from Mark Lichtenfeld probably this week. Then we have the Vancouver Resource Investment conference which is going to be huge.

It's being held or being run basically by my friends at Cambridge and that'll be co-produced by ... Do some research, right? Which is Marin Katusa. Going to be some of the biggest names in my industry at this event. Over 250 companies will be there. You talk about experts, analysts. There's going to be a big cryptocurrency focus which is interesting, right? 'Cause we're cryptocurrencies come down. So now this theme all the sudden at mining conferences, right? Gold, silver, we hate cryptocurrencies. It's taking over the mining conferences and they getting ... I did, this is in San Francisco when we had a conference in San Francisco in mining and I did a presentation on cryptocurrencies and some stock that would benefit the most. It was the second most watched video, I think, of the whole conference. Not because of me, because it was cryptocurrencies. Everybody's interested in cryptocurrencies.

So now these events, these mining events 'cause gold and silver and uranium have been just terrible industries, right? I mean, horrible, no real catalyst over the past five, six years. It's just been so hard and difficult to make money in these industries that, hey, let's get some interesting stuff in here, cryptocurrencies. It's amazing because this just shifted over the past few months and I hope that these cryptocurrencies don't pull back a lot more 'cause ... Again, it's giving them a bigger focus which is great for these conferences but you're going to see a big cryptocurrency focus at the Vancouver Resource Investment conference.

So that leads me to my interview right now with Marin Katusa who is the founder of Katusa Research. Close friend as you know, right? Been on this podcast numerous times. He's going to tell us where he thinks gold is going 2018, where Bitcoin is going 2018. Again, he's co-producing this and he's the one that set up a lot of crypto people which he did last conference as well and it turned out to be very, very good. A lot of arguments back and forth between libertarians, gold bugs, cryptocurrency, crazy ... Bitcoin's going to zero. Bitcoin's going to a million. I heard both of those in the same panel which is pretty cool. There's a big ... A little bit of a middle in between that. But a lot of great stuff and of course Marin, like he always does, is going to share his favorite junior mining picks with

you. And you know what? Let's get to the interview right now.

Marin Katusa, thanks so much for coming back on Wall Street Unplugged, bud.

Marin Katusa: Always a pleasure, buddy.

Frank Curzio: Well, I guess we should start with ... Let's start with gold. I mean, it's a sector that I feel like is lost now that cryptocurrencies have taken center stage and you're seeing so many people ... I don't really hear the gold conversation. The questions that I get, I don't know if you're getting as well, is more cryptocurrencies and Bitcoin and stuff. I'm wondering if now that Bitcoin's coming down over the past few weeks, if you're seeing more interest in gold stocks and gold market. I mean, is there a correlation or any kind of relation that you're seeing with these two markets? A lot of these conferences we're attending are not just gold and silver anymore, but they're throwing cryptocurrencies in there.

Marin Katusa: No, definitely. You've seen as the cryptos were going up basically from mid-2017 to basically this week, not just the retail crowd but the institutional crowd were interested in the crypto and the blockchain and the marijuanas. But now that cryptos have pulled back, it's not like that crowd has sold the cryptos and they're rushing to gold. I would say gold is still a very unloved sector. It's really just the diehards and it's still bargain hunting season in my opinion.

Frank Curzio: Well, what we saw with gold, Marin, which is kind of surprising and actually, I got to say I made this mistake with oil because I predicted that oil was going to go a lot higher when it was in the low 40's. I was a contrarian at the time and what happens is oil prices are over 60 and a lot of the stocks didn't participate. They're starting to participate now but it was amazing. There was a disconnect where the stocks were down 15% and the price of oil was up 15% at the time. Now it's up much higher. Now you're seeing these stocks come back.

I'm bringing that scenario up because we're looking at gold prices have done pretty well actually, right? You're looking at gold prices over the year. They're up over the past 12 months and we're doing pretty well. But if you look at the stocks, they're significantly underperforming. They're having trouble gaining traction here. Do you see that as a disconnect? Is that normal? Because you would think with gold prices going higher, that should be cool for a lot of junior miners, even a lot of the producers and stuff like that but we're not seeing that follow through.

Marin Katusa:

You are 100% correct. You're not seeing the movement in the equity, so the publicly listed companies and there's a couple of reasons. The streamers have the first mover advantage with the price, so the most benefiting immediately. Then you got the producers, then you got the developers and then the last to move are the juniors that get the biggest leverage when people believe the price of gold is going higher and it's there. I think there's still a lot of uncertainty and disbelief in the price of gold because so many people have been burnt on it. Plus there's so much more action everywhere else in the market. So again, we're not seeing the equities because there's not new capital moving into the sector and that's the main reason.

Frank Curzio:

That's good to know that the first mover advantage when it comes to ... Could you explain that a little more when it comes to streamers? Because when you look at royalty companies or streaming companies where they're basically like finance companies. They just have a few employees. They don't invest in a particular project and make money as the company produced whatever, 10% of production or whatever. But they don't take on any of the risks in terms of production, all that stuff.

So why would they be just for people who are not familiar with the industry? Why would they be a first mover advantage?

Marin Katusa:

For sure, because it's a financial stream. So for example, if you have a gold mine and whether it's Franken, Nevada, wheat and precious metals, a Cisco, a Sandstorm, and there's a lot of private players coming into the royalty player too like Sovereign wealth funds and other funds. But anyways what happens is if they get 5% of the gold from a mine or a predetermined number of 50,000 ounces or whatever the stream is set up as, they get that as either a fixed price. So they're paying \$400 per ounce in the gold per ounce and then they can sell that at whatever the price of gold. So as gold goes up, they get a direct benefit.

So they're the first whereas the miners generally speaking, why they don't get the bump until more money comes in is if gold's going up, that generally means that usually the cost of production goes up in parallel. Their tires go up because more people are starting to produce or the price of oil which is a big component. And labor. Labor's the biggest cost at a mine. So the ones who have the first impact are the streamers and remember, we have to differentiate between what type of royalty with streamers there are, are the guys who have producing streams or they have development assets.

So the streamers had to figure out a way to put up the capital for the company either during development or buying a stream after the project goes into production. So that's essentially the main reason why streamers get the first benefit and where the streaming companies are doing quite well in this market.

Frank Curzio:

Now thanks for the explanation too. That's cool 'cause a lot of people are familiar, just curious about that first mover advantage. Now Marin, you have taught me a ton when it comes to investing in this industry, right? Especially over the past, at least, seven years or so. You've outperformed the markets and it hasn't been easy 'cause you've had losers as well as everybody else had losers but most people who invest in this sector have gotten their head handed to them because it's been such a terrible market for such a long time. Could you explain how you invest for your clients, for your people in terms of putting deals together when it comes to investing in private placements and warrants to the point where you know how to limit your risk but yet you're going to maximize those returns which has worked great for you considering it's been such a horrible market in, what are we looking at? Five, six years?

Marin Katusa:

Correct. So there's a few rules. First of all, never put all your eggs into one basket. It works great if your big bet plays out but there's so many uncertainties. So the other rule of thumb is this game, the resource, so cyclical and anything that can happen at a project will most likely. So there's so many factors. So risk mitigation is absolutely critical. Why I prefer a warrant structure especially with listed warrants which I've come to be known for in the market and I do more warrants than most firms. I do more financing myself than most institutional firms, brokerage houses in the industry. And it really is this way, Frank. If I'm going to put up a lot of capital and I've got this fundamental belief that management, and I know a lot of the big players. They're like, "Oh Marin, we hate warrants." Okay, well I can't reprice my cost of stock. Management can reprice their options.

Let me explain to your audience what an option is. It's an incentive option for the management that the exchange or the rules allow where a president of a company can get up to 10%, well all the management team, not just the president, but the whole management team can get up to 10% of the shares outstanding in options which is lot a soft comp. There's no actual cost base that they pay for that upfront other than the exercise price of the option. So to protect your stocks at a buck, and there's a hundred million shares out, the management can issue with a rolling system up to 10% of the shares outstanding at the price of the

market. So that's hypothetically to make this a simple exercise, they can have 10 million options and the life of those options is five years.

So I sit with the management team going, "Okay, so you need my money" and a lot of these times is I become a sounding board for the management teams 'cause I've been to so many other projects and I've got a good take on the markets and capital. They get a salary. I don't. I don't get paid. I take no fees. You can't buy my research. You can't buy advertising from me. There's nothing like that. So I got to put up all the capital risk and I got to believe in the execution of the management team but they get paid a salary plus they get options. So to make our interests aligned, I want warrants and when management teams say, "Oh Marin, we don't like your five-year warrants", I respond with, "Great. I don't like your five-year options. So if you're willing to take a three-year option, I'll take a three-year warrant." Generally we find that management teams don't want to cut back their options so why should I cut back my warrant.

So it's about risk mitigation, okay? So now there's other guys in the industry who hate warrants like Ross Beaty and Lukas Lundin, but these guys put up hundreds of millions of dollars in their own deal. So when I look at someone like Ross or Lucas who I can't get a warrant from, it's because they're not giving themselves that type of benefit where Ross Beaty put \$150 million in Altera. So that's why I put up tens of millions of dollars and it was a good score for all of us and there's no secret: I was a major sounding board and had my own theory and calculations of what Altera should have done and it worked great for everyone.

Same thing with guys like Lukas Lundin. These guys are winners and they invest so heavily in their company, they're not in it for the option. These guys own at least 35, a third of the shares outstanding at the cost base. So it's all about aligning with your interests with the management. Look Frank, I've had some big wins and I'm also lost on a lot of stocks too and that's where you get a basket of stocks. I'd always say to all my subscribers before they sign up, if you have a basket of companies. Say you got ten stocks. We're going to lose money on three or four. We're going to break even on two or three and it's those two or three that really go, the Northern Dynasties.

Look, last year I took you to the airline Boeing's two facilities. It was kind of fun checking that out. Well, my followers made six, seven times money on that. It was a quiet little story that nobody knew about, the Altera and I think they're stories that you learn from.

Asanco was one that I lost millions in, and you know what? The management team are solid and guess what? They just got the geology wrong. There was no fraud involved. There was no scam involved. This is a high risk game and even when these things go into production, they necessarily don't always work out. That's an example of a stock that didn't quite do as well and with ... different market, it would've probably got bought out a couple of years ago if the price of gold was a bit different.

So certain projects need a certain price and then you got that window for the market. There's so many factors here so if you can mitigate your risk as much as possible, there's no way to eliminate risk but it's about mitigating risk. That's kind of my fundamental thesis and it's going after world-class assets with world class management teams and you saw a couple of the deals that I've been involved in where you find a world-class asset and you might have to chop off the board and bring in new characters and move things forward. But it's a tough game and stick with the winners.

Frank Curzio:

We've been talking to Marin Katusa who is the founder of Katusa Research. Marin, you brought up a great point which I want to get to because I love this podcast and you're trying to teach people what we know. It's not like we're geniuses, it's just that we made a lot of the mistakes and we want to try to guide investors not to make the same mistakes we have. Of course, like you said, we're not always going to get it right but we want to try to limit the damage when we do get it wrong and have those gains continue to run. But how important is it because you did mention a couple of things when we went to the Boeing plant, which was amazing. Biggest factory in the world. We went to go see Altera's assets, right? This is a company that you've been high on for a long time on this podcast and I think the last time you came on this podcast, you actually recommended it two weeks later was when the takeover happened.

Right now it's been happening and then Northern Dynasty, we were kind of first to the party going there when this stuff was below 40 cents. It's still doing well today too. It was well over three. How important is that boots on the ground 'cause we're going to get to the Vancouver Conference which I know that I believe you're co-producing or co-hosting and that's on Sunday and Monday. Usually when we go to these events, we do have a trip planned as well. But how important is that boots on the ground because that's where it seems like even for me, is you're getting the best ideas and I want to really pound that in investors' heads and our

listeners' heads too.

Marin Katusa:

It is absolutely critical. I've got nine guys in my office and at every week, someone's on a site visit somewhere. I just got back from one last week. Frank, you can ... So much of our industry ... I want to go back to differentiating why I do what I do and why I'm so close with you and admire you and appreciate our friendship. You can't buy Frank Curzio's stock recommendation. We're not bought-for guys, so this newsletter writer world used to be newsletter writers had this dark, shady cloud that if you couldn't be a real analyst or get a job at a real firm, you became a newsletter writer. I believe the tables have really turned but there's two types.

You have to ask, number one, is this newsletter writer some bought guy who gets an annual promotion price? You got to look at the details or is this guy putting up serious dough of his own money and going on a site visit? You have to figure out what type of newsletter writer am I following. So that's step one. Step two is, you cannot be a desktop analyst. It's so many people in our industry, think they're a talking head where they're just a moron and they really don't know what even a mine looks like or an oil field or a geothermal facility or whatever you want to go through. You have to get out to site and that's how you find out, for example, little things.

Remember when I took up that whole bus up to the copper mountain mine? How clean is the project? Are things organized or is it a shit show? Little factors of, you go and talk to the drillers on site and you see if they're grumpy and pissed off about how things are going. You're going to get so much insight from the guys on site. I always go and have a beer afterwards. I tease them, call them the roughnecks or the truck drivers. They know what's going on day to day, month and month. The presidents of the companies are going to put everything into the absolute best light, but you get a couple of beers into a roughneck, they're going to tell you exactly what they're thinking and that's the advantage of going out to the site and seeing what's going on and you meet these interesting guys and you'll hear about other projects that they just came back from where they worked on and they had this different insight and then when you go to that project, you got to ... You're not going to find that stuff in the financial spreadsheets.

Look, the financial side is absolutely critical. The desktop part is key but it's not the only key to the keys to success. It's one of the keys. Having that rolodex and that site visit and being able to meet the guys on the ground and when you sit with ... four hours driving to the site, you get to flush out the bullshit pretty quickly.

Frank Curzio:

I want so stress, too, what you said was important, where the fundamentals ... Yeah, you have to look at the numbers and everything and that's important to what we do. But guys remember, the number's there for everybody, right? You have forensic accountants. I mean, people are able to read those numbers better than others, but that's there for everybody. What's not there for everybody like you said, Marin, is ... I just came back from the Consumer Electronics show for five days and going to these companies and seeing the crowd around their booth and how excited they are and talk to the employees. You're getting details you can't get any place else and that's real time data when in my world, companies report every three months. You're seeing stuff that's happening now. It's going to be reflected in what they're going to say on their next quarterly conference call.

So being there is so important and it's a good segue into this Vancouver Resource Investment conference, right? So it's going to be the 21st and 22nd. Why don't you talk a little bit about it? Something I love to attend. You're grateful enough to let me speak at a lot of these events and we always set up great meetings and we always go on visits and site visits and stuff when I'm in Vancouver. Talk about how important this event is to you.

Marin Katusa:

For sure. This event, this is kind of ... The family that started this were the Martins and Joe Martin started the show with Cambridge House back 30 years ago. Jay Martin took over for his father. The business was really struggling and it was a reflection of where their resource sector was. 2014, 2015 were really tough years and the companies didn't have much capital left and I had a meeting with the Martins, both Jay and Joe and it was looking pretty tough. The company was doing everything it could to keep the show alive for its audience but they were taking on some big debts to keep the show alive. I came up with an idea that we mutually all agreed on was the best path forward.

So we became partners in two of the shows, the San Fran show and the Vancouver show and the Vancouver show's the world's largest junior resource and speculative public company conference. We're going to have over 8,000 people at the show for Sunday and Monday coming up. The difference, I guess, when we're co-producing is Jay and I go through every single person who speaks. There's no paid promoters, there's no bullshit up there and the general rule we have is if I'm not willing to sit and listen to this guy talk, nor am I going to make you do it. I ruffled a lot of feathers in the industry and a lot of other shows have popped up because I won't give them speaking time at my show and that's cool.

For all the audience, go to the B Division, go to the Farm Team shows. This is prime time. This is the NFL show and there's always room for the arena league football if that's what you want to go to. But this is the Super Bowl and we're starting off the show with a bang. You know my style. I don't hold back and these are my old partner. Rick Rule and a mentor and good friend. We're starting the show with who's the best in the business? Me, Rick or Frank Holmes? They were taken aback by it. I said, "But look guys. Let's each pick three stocks and let's see who the best is." We're doing it shotgun style where it's 20 slides, 20 seconds each slide and we're splitting under Marin's team, I pick my three companies. Rick picked his three companies and Frank Holmes picked his three companies and we're going to let the audience decide who the best is and then we're going to find out in a year who really is the best because it all comes down to how did those companies perform.

So right out of the bat, in the first hour, you're going to get nine stocks that Rick, myself and Frank Holmes think are the nine best stocks in the industry. That's how we're starting the show. Then we've got you up there. We've got a wicked debate with Teeka Tiwari and Jim Rickerds and Peter Schiff. If you don't know Peter Schiff, he's exciting and I'm the moderator and luckily I'm bigger and stronger than him because Peter loves the sound of his own voice and he forgets that there's other people on the podium and I'm going to have to remind him of that.

So it's going to be a challenge to let the other people speak when Peter's there but that's going to be a fun event. You've just got the best guys in the industry whether it's Ross Beaty Lukas Lundin and just everybody's there and it's our network of guys that we work with and they're all there in one room.

Frank, here's the best part. You can go online and listen to these guys talk or you can come to the show and Rick's hanging out with me there at a booth as we're talking and you can come up and say hi to Rick and ask him a question. You could email him but he probably gets a thousand emails a day. You're lucky if you get a response. It's the closest thing to a retail or institutional person to becoming an insider in the industry is by coming to these shows. You've seen it yourself how many ideas pop up on the show floor where you go to a spontaneous dinner and you're like, "Yeah, I'll put some money into it" and it works out as a great investment.

We've been there. We've seen it happen.

Frank Curzio:

No, that's great stuff and from someone who's been attending

these conferences gutys, I tell everyone to attend these things because you do get the opportunity where I attend the conferences all the time, sometimes around the world and especially when you go like the Irish Stone or the Valley Investing Congress, which has the biggest hedge fund managers. Those guys speak and they sneak out backstage. They might do a CNBC interview and they're gone. You'll never ever talk to those guys. At these conferences, Rick Rule is at his booth. You'll see 30 people around. He's answering question. I mean, it's crazy. I think it's nuts 'cause Rick Rule's been around for 40 years-

Marin Katusa:

Rick's amazing. I call him the James Brown of the resource industry. The guy's a workaholic. He doesn't need the money. He does this because it's truly what he loves. If there was no money, let's just say the money he made from this was an annual teacher's salary, he would still do because he truly loves it. He's going to be there. It's funny, we have a little history where he shows up and I know when he shows up and I always have to five minutes before him. I bring him his coffee out of respect and he's there 'til the bitter end and we go grab a dinner at the end of the show.

It's interesting. The difference between a guy like Rick Rule and an employee even within his own firm, Rick's there from morning when the show opens all the way 'til it closes. First in, last out, final. Whereas he recognizes that his employees will go for a lunch and they'll drift around. Rick doesn't take a lunch. The guy's a machine. Same thing with Frank Holmes. Same with Ross Beaty or Lukas Lundin. You see a pattern to these champions, these titans in the industry and they're there for you because this is what they love.

So what you got to do is show up and talk. Those who physically can't because they got jobs or families or whatever, what I've actually done is I've invested in ... We're filming every single talk and every single debate in every single room. Now we've taken the maximum square footage of the biggest convention center in Vancouver and it's still going to be jam packed. So this is a huge success show and I recognize that even my own subscribers, so many of them can't come to my show. By the way, we're not charging a thousand bucks to come to this. Just go online and it's free, right? If you show up at the door, I don't even know what it costs. I think it's like 25 bucks or something, but then you got to wait in line and do that. Streamline it. Print off your thing and don't wait in line. Be smart. Come prepared.

Anyways, for those who can't come, everything's going to be videotaped and recorded and we're going to put it on our website. So it's going to be a lot of fun and I'm doing it. Look, I've got a

family. I'm not spending all day Sunday away from my family because it's a job. I'm also doing it because I love it and I'm looking for the next big score.

Frank Curzio:

And let's get into a quick more questions. So the next big score. What are some of the things that you're looking forward, 'cause I know these conversations have taken more of a cryptocurrency focus over the past six months. It's going to be a very interesting topic because now since San Francisco when I was on the panel with those guys and let me tell you guys with Schiff and Teeka Tiwari ... You're going to have to referee man. I mean, there might be fist flying at that. That's going to be interesting. But that is going to be pretty crazy at Rickerts. When Bitcoin was around 7500 at the time and it went pretty close to 20,000. Everyone was like, you got the people saying it was going to crash but now whereas it's come a little bit below 10,000. Now it's going to be a very interesting conversation. Is that one of the things you're looking to or individual companies? Could you just give us a preview of what you're looking for ... 'Cause I know you're moderating and going to be crazy busy, but on the investment side, what are you looking to hear or something that you're excited about?

Marin Katusa:

I'm always looking for when it comes from a mining or an oil gas side, it has to be an asset that has the potential to move the needle. Like a pebble type of deposit from Northern Dynasty or you look at some of the assets coming out of Serbia with NevSun. It's got to be big, high-grade, world-class and then I look at the management team and is there a chance for a disruption? What is the next disruptor? I invest a lot of money in my analysis and my analysts finding what technologies because they're really coming in in the mining sector and the oil and gas patch about what type of technologies are coming in to really disrupt and crack the code to reduce costs.

So that from the resource side. From the marijuana side, look. The world's largest marijuana company's called Canopy Growth. A very close friend of mine, a guy named Pat DiCapo was the founder of that company and in 2013, I was one of the largest shareholders of it because Pat was my buddy. He invited me to the meeting in the room. I liked the story so I put a lot of money into it and look. I did not ride it all the way to \$48. Our original cost base was 1/100ths of that. It's still almost a ten bagger for me but you got to move your capital into other aspects and that's where I came up with my big money for Northern Dynasty when I became one of the largest shareholders there.

So you've got to look at sector rotation and mitigating your risk. When it comes for the crypto miners specifically, I always remind people in the gold sector we have something called "all in sustaining capital" or "all in cost", including not just cash costs. People have to really understand that the biggest cost in this crypto world, crypto mining, is your power costs.

So what is your all-in power costs? Not just your rate but your delivery charge, your surcharge, your minimum charge, your power charge, your taxes, your connection fees. You have to include your power rates. So be careful when companies advertise that they were at five cents per kilowatt hour. That's a good rate. However, when you add up all your other costs, is it five cents all in or is it now 6.5 which is drastically different than 4.9? So you really got to get into the details and be very careful and for a retail person, ask simple questions.

We have a guide we put together, the 50 questions for the retail audience to ask while they're at the show. It's on our website. What's the management's average cost base? Are they hard dollars or are they soft comp meaning do they just get free options and they actually don't have anything at risk and they got a job so they don't really give a shit. Whereas if I'm putting up hard money, I want to make sure that the management team are at more risk than I am. There's little tricks to the game to figure this out very quickly. Rather than jumping into and doing this massive due diligence and you realize, wait a second, there's massive debt on this company, you got to be able to juggle a quick filter, Frank, to go okay, on the first pass this makes a lot of sense. Let me dig deeper, because you only have so much time in a day and you want to be as effective as possible in analyzing.

Another little trick you want to do when you're at a show that ... Basically five years ago, I came up with this and I got credit for it in the industry, is a lot of analysts just start ripping through a 400-page feasibility study and they spend a week on it. I'm so busy doing so many things, I have a different theory. I've got a database of all of the main companies and all of the main officers of all of the different sectors whether it's geology, engineering, blah blah blah. And what I do is first is if there's a company that I'm really interested in and they come up with a feasibility study, the first thing I look at, Frank, is who are the signing officers in that report on the geology, on the engineering, on the hydrology, on the metallurgy, on all the different aspects. And then I look back quickly onto their last five stories that they signed off on. And if these guys have a pattern of absolute failure, you know what? I'm

now going to look at that report in a totally different view.

Just because it has the stamp of a big company like SRK or Hatch or whoever the engineering firm that is the JDS or any of these big firms that people use for these feasibility studies, it comes down to the people. That also means on the analysis report. So so many times even when I was at my old firm, they were like, "Oh, this looks great" and I'm like, "Yeah, that's fucking stupid because this geologist's reports are overly optimistic and look at his last five reports with these other companies and they were all a disaster when they went into the underground. If this is a geologist that is a specialty on say gold open pit, now he's doing underground, you've got to take this with a grain of salt. So those little tricks to kind of do first pass filters, if that makes sense.

Frank Curzio: No, it definitely makes sense. You can see it's a whole ... It's just the whole research process and the more you put into it, right? I mean even when it comes to me and having contacts in the industry where there's people that know a lot more than me in certain areas, especially biotech where I'm able to call doctors. I'm able to call some of the people connected in the industry and stuff. But in the end, we're all looking to just get the most information, the best information so we can figure if we can invest in it, if we're going to be right, what's going on and that's going to lead to the last thing here because what we do all the time when it comes to boots on the ground, a lot of times we plan trips around this Vancouver thing which we're going to see and yeah, I could say it's a cryptocurrency company. I won't say their name but we're taking a six hour drive to go see it with you and a couple of your crew which is going to be a great trip.

So I had a question for you because I'm down \$100 which I paid you last time we took a trip like this, I think to Boeing 'cause we were playing cards. So what are we playing on the way there 'cause I need to make my money back and I know it's going to be a big card game going. So what's it going to be, pal? 'Cause you're not taking my money this time. There's no way.

Marin Katusa: I'll let you pick any game you want when it comes to numbers or cards. How about that?

Frank Curzio: Oh yeah. I think I'm going to have to go with Texas Hold Em. We'll see. But yeah, the six hour drive can get expensive so we'll see.

Marin Katusa: Or we could just go to the next Stansbury conference and take their money and then poker tournaments.

Frank Curzio: Yeah, I know. We used to go to Stansbury conference all the time and you and I used to do very well in poker tournaments we played there. But man listen, thanks so much for coming on. Guys, if you want-

Marin Katusa: And I say that with respect. I don't want your audience thinking that there's any hard, ill ... The Stansbury guys are my buddies but I love busting their chops and every time we go, we take their money.

Frank Curzio: Yeah I know, it's all competitive and they have that ... Yeah, it's awesome. So guys look, Marin, I really appreciate you coming on and for listeners out there, the conference is absolutely free thanks to Marin and there's a banner on my site if you want to click it. Guys, if you're going to be in the area, go. If not, don't worry about it. But the fact that it's free and you could walk in for free and talk to Rick Rule for free and talk to so many ... Frank Holmes and Marin Katusa and stuff like that, it is an incredible opportunity in Vancouver if you can get out there or if you're in the area. So definitely check it out. And Marin, I know how busy you are 'cause you're setting this whole entire thing up. It's a couple of days away. So thanks so much for taking the time to come on the podcast, bud. I really appreciate it.

Marin Katusa: You bet and I look forward to having a drink with you when you're in town buddy.

Frank Curzio: All right man, I'll see you soon.

Marin Katusa: All right. Thanks man.

Frank Curzio: Okay guys as always, great stuff from Marin Katusa. I mean, I love the first mover advantage. I wanted to explain why because a lot of times we talk about things and maybe you're investing in gold stocks or you're not. You're not familiar with the industry, right? So I love that he dialed it down and gave an explanation as to why there's a first mover advantage and that you're seeing those things move higher. Usually when you see that, it filters down to the producers and the junior miners.

So maybe it's a good time to buy the producers, right? 'Cause we haven't really seen major moves in those stocks yet, even though gold prices are higher. The boots on the ground, you can see why it's so important. I mean, they're some of the best picks that we've had, especially Altera which he was talking about, Northern Dynasty and stuff. These are things that we've mentioned on the podcast and like he said, you're going to have losers of course, but

when you have massive winners like that, that's what we do the research for. That's what we do and that six hour trip that we're taking into Washington to go see one of these companies should be very interesting. It's a company that I want to get a better perspective on. It's a real crypto company where you see mutual funds invest in it from what I'm hearing.

So it's pretty exciting. At least, I don't know if they're investing in it but there's a lot of interest in it because these guys did the right thing. Most of the people that I talk to in the crypto industry, it's very interesting. Geeky in a good way. Data mining guys, but nothing really about the finance part and they try to come out with these white papers and ICO's and when I hear some of these and I've been on three or four of these calls now, it's kind of a joke, the amount of money they want to raise when some of them don't even have a website, some don't even have a business stra-

"Oh we're going to take over. We're going to do this with the company." And you're asking for \$30 million and you don't even have the actual company built yet. There's nothing going on. So seeing this and going there where these guys did the right thing where they have a great data mining company and they went to the right people to finance this thing. So it's going to be exciting to see the facility. I don't know if it's an investment opportunity or not. We'll see. I'll come back and let you guys know but it's going to be a lot of fun. But as you can see, you get a lot of great stuff from Marin there and hopefully you guys enjoy.

But let me know what you thought of the interview at frank@curzioresearch.com. That's frank@curzioresearch.com and real quick guys. Once again, absolutely for free. Not promoting anything. If you want, there's a banner on our site for the Vancouver conference. Just click it, put your name in there, you get in for free. If you want to go, go. If not, no worries but we'll keep that banner up there until Saturday or ... I think Saturday and then we'll probably take it down. So that's on the Curzio Research. In fact, www.curzioresearch.com.

Now, quick note. I just hired our next analyst. Curzio Research. He worked for some of the largest hedge funds in the world which I cannot name but let me tell you, the biggest hedge funds in the world. Guys, just people you know of that are in the media all the time. Some of the biggest hedge fund managers in the world. He's one of the best cryptocurrency analysts that I've seen if not the best and I know this firsthand because I flew him down to my office this week and he blew me away. I mean, he was teaching me things that I had ... We're still learning so much about the

cryptocurrency industry. Yes, coming down but it's creating a buying opportunity for a lot of things and people. There's probably 5% of ICO's that are coming out that are really worth taking a look at that are great and the rest are kind of like oh, I just want to try to make money as quick as I can. And man, I mean, this guy just blew my mind away.

His name is Barry Cohen. You're going to see and hear a lot from Barry over the next month or so since we're launching our first ever cryptocurrency newsletter. The timing couldn't be better. This is exactly what I wanted to do. I love this pullback. I think this is a long-term trend. It's an amazing trend. It's going to include stock recommendations based on crypto, currency recommendations and most important, you're going to have ... I want to say first time 'cause I don't see anyone doing this, access to ICO's, which is Barry's specialty and again, he's telling me he basically went and touched more than 90% of them. He's been on calls with these guys. He's researched the industry and it's unbelievable what these guys are raising money for, but there are a few that he likes and it's very hard to get access to this market sometimes. Hiring Barry's going to give us access to ICO's which is really, really cool.

Again, it's a crazy market. It's nuts. But right now is a good time. You're going to see cryptocurrencies are coming down. Why? 'Cause you're looking at the regulatory front and you're looking at regulation. Again, regulation is good, guys. Don't be a libertarian, "Well, oh my God. No government", whatever. I mean, those guys love that until there's no government and they get everything robbed and they're getting beat up in their house with no one protecting them. But in all seriousness, when you're looking at a government and something that Barry's explained to me and I've talked to as well 'cause I had a great day with him and this is, I believe, on Monday. Look, when the government ... Think of marijuana. When they tax these industries, right? They're going to start bringing in revenue. It makes it legit and makes the trend real and that's what you want.

'Cause people want to invest in this, they want to be protected. I don't see these exchanges being completely shut down everywhere but you need regulation in this industry because if you lose your money, if you invest in Bitcoin, there's no one you can turn to to get it back. You're done. There's no regulation. That's going to cause this to come down but this trend is for real and I look at it as the internet. It's a disruptive technology where all the major banks, all the major companies ... So many of the Fortune 500 companies are investing in this, creating their own blockchain

technologies. We're not talking about what Kodak is doing. We're not talking about what Long Island Tea Company or Mike's Cigars are doing. I'm not talking about those companies but real legit companies that can make money off a blockchain because you're going to see a very volatile industry, but I see this as the internet in maybe 1998, 1999. We're going to get it inflated, it's going to come down but think about buying those stocks like Amazons and the Netflix after that crash.

That's the opportunity. If you did that, you're going to be sitting on, pretty much, a fortune today, right? If you bought those stocks pretty much 2002, 3, 4, whatever. That's why we're looking at blockchain. I wanted to put the best analyst in front of you to tell you what's going on. Not just someone I can grab that I can market the hell out of, but someone that knows what the hell they're talking about because it's an important industry. It's a very risky industry and you got to be very ... Speculative cash only but you want to be really smart investing it 'cause you could make an absolute fortune if you invest in the right areas and the right stocks and the right currencies in this market, even the right ICO's.

So Barry Cohen is going to be at the Vancouver Conference and so is Michael Alkin. So I have my whole team going there. I have analysts. Michael Alkin, also, ex hedge fund guy. These guys have worked with some of the largest hedge funds in the world. Again, they always tell me, "Don't name them" 'cause that's the way the hedge fund industry is. It'd be great to say, "Hey, these guys worked for this, this and this" but if you talk to these guys, you're going to have access to these guys if you're at that conference. That's my team. These guys are awesome. I love these guys. They're brilliant and they're going to be at the Vancouver Conference.

So if you're there, I'd love to introduce you to them. I know Michael Alkin's going to speak. I'm going to try to get Barry up there with myself to talk about ICO's since I'm doing a speech on ICO's. I feel like I'm doing a disservice by not bringing him up since he knows ... I realize how much he really knows about this market where my knowledge of this is great but his ... I mean, looking at 100 ICO's and what he's done in this industry and analyzing these things is incredible where I think he's going to be able to teach everybody and highlight all the risks that people really don't know what's going on in this industry that are going to crush you and also highlight the winners or the potential winners in the ICO industry.

So it's going to be really cool. Those guys are going to be speaking, representing Curzio Research and I'm very excited and I just

wanted to let you guys know.

So let's get to my educational segment. So earning season's here, right? So you know these companies report. So far, a lot of these companies have beat estimates. Most of the companies. GE reporting, they're going to send out an update. Stock's down a little bit. Again, another risk, just basically cleaning out the entire closet with this company and starting new. So hopefully, a couple more charges. This stock is down a little bit but at this level, where you're looking at, most of the analysts have target prices, even the ones that hate the stock the most, at 16, 17, 18. You see little risks but remember GE's, it's not a short term thing. Don't want to get too much into GE 'cause a lot of ... That's a recommendation in my newsletter. I want to give my subscribers thoughts on that but this is stock that I think is going to be the best performer in the Dow this year and probably next year.

But they are going to spin off a lot of the visions. It takes time. Spinoffs are great. You see incredible value. I mean, there's research even behind it. I recommend spinoffs and done incredible well because now you're focusing just on one business instead of ten like GE or tons of businesses. But it's amazing when you look under the hood now of how bad things were when Immelt and how he was saying "We're going to have definitely \$10, 12 billion in cash flow and \$2 at earnings" and stuff like that and now that they're tearing apart business by business and going in, you're seeing it and it's probably going to be like this for another quarter or two where you're going to see GE go up and maybe it'll pop up to 20 and then you're going to see them report earnings. "Oh yeah, we forgot about this and that" and then you're going to hear about the spinoffs. It's a process but at this level and how far the stock is down, I see little risk from here but you're all going to see volatility over earnings and little things that come up but they want transparency and say, "Here, here's everything we have, this is our company and this is what we're doing." That's what's going on right now.

Could a dividend from GE Capital no longer ... Again, bigger charge than expected and the stock's reflecting that right now. But most companies you're seeing out there are beating estimates. Now, they're reporting solid quarters and they're raising guidance a lot of them because the tax reforms. A lot of money coming into the company. What are they going to do with that? Maybe they buy back stock. Who knows? Hopefully most of them don't buy back stock 'cause they're trading at the highest value they've traded at in probably five years. But you're looking at these companies and

you're saying, "Wow, it's pretty cool." My original thesis on this was, I think 2018 was going to be a rough year. That's what I said about six months ago and then even three months ago. Then when tax reforms passed, I realized when I'm looking at the estimates, a lot of these numbers are not reflected. The analysts needed to raise their estimates.

So you're going to see a lot of companies beat this quarter, because they're going to get adjustments, they're going to raise their guidance and stuff and the analysts, right? I mean, again tax reforms just happened. They're kind of late to the party to raise their estimates. Well you know what? That's why I was like, "Well, the market's probably going to go up maybe for three months, possibly six months." But I may be wrong on that because the amount of investment firms that are raising estimates are incredible. Just this week alone. This is something that you guys don't see. This is an inside thing that people don't talk about.

You hear about upgrades and downgrades, right? Everybody does ... You'll hear them on CNBC all the time. You don't hear when companies raise their earnings estimates or raise their price targets. Sometimes you do, like if it's a price target with Amazon where you raise it 1600, it's going to be all over CNBC 'cause that's entertaining and that's the highest on the market. Or if you see someone lower their target on GE to 12, that's going to be all over TV. Most of the time you don't see it, right? You only see the upgrades and downgrades but this is significant because when you put on CNBC and they say, "JP Morgan is expected to report \$2 in earnings" and they report \$2.05 in earnings, right? So they beat earnings expectations. That \$2 in earnings is the consensus estimate of all the analysts that are covering the stock on the south side. The Goldman Sachs, the JP Morgans.

So when you look at that, if they beat that number, right? It looks good. "Oh they beat that number, that's great." The stock's going to go higher. That's the way Wall Street works. Now, so my thoughts on this was those estimates are super low right now, especially since tax reform's passed. Now they're raising those estimates significantly. Let me give you an example here. Just over the past couple days. I'm talking about Amazon, Netflix, Nvidia, JP Morgan, Citi. I mean, Barclay's came out, raised their target on JP Morgan. Wasn't that much, from 132 to 135, but Deutsche Bank raised their target on JP Morgan from \$96 to \$121. UBS raised their target on JP Morgan from \$119 to \$125. Amazon target raised to 1600 from 1200 at BMO. Amazon's target got raised to 1450 from 1330 at Appenheimer. [inaudible 00:58:02] Trust also raised their target on

Amazon, their target price to 1400 from 1270.

Guys, those are just two examples. I'm seeing hundreds of these come out right now that people aren't talking about. What does this mean now? It means that the expectations are higher. It means that tax reforms are being priced into the market right now. It means and I'm surprised that when you see Goldman Sachs blow out the numbers or you're seeing JP Morgan do well, that a lot of these companies have gone up and we saw a major reversal on Tuesday and now we see what happened to Goldman Sachs which is up after reported earnings and it got crushed today and I'm doing this podcast at ... It got crushed as I'm doing it or in the AM. But keep in mind guys, the biggest thing here is those expectations and right now we have an inflated market and the analysts are finally raising their estimates, right?

So all those estimates that you're going to see next quarter and the quarter after, 'cause they're raising their estimates for next quarter. They're actually raising ... These target prices are twelve month target prices. So now these target prices, when you raise your target prices, all numbers. It's all a model. That's all it is when it comes to research. If you're raising your targets because you changed a number in your model and now you see higher earnings, higher this, high ... Whatever it is. So when you get on these conference calls and I tell you a lot of times, these analysts, they're asking questions just based on their model. 'Cause inventory charge, you're taking. How much is this? It's going to be several million this or that and you're like, "What are you talking about?" That's for their model.

So they're going to plug in a number and once they plug in that number, all the rest of the numbers change and then it comes out with a price target. I know. It sounds silly but that's what they do, right? Just change one number in a model and you're going to come up with a different price target. So as they're raising their price targets, they're raising their estimates which means expectations for these stocks are higher. It's very, very, very important to understand that. It's not like hey, I have nothing else to talk about so all right, let's just do this education segment. No. This is very important.

So why is it so important? Well, when the expectations rise, right? What's going to happen when these companies SP 500 and all these companies report earnings next quarter? They have to meet those estimates which are much, much higher because now the tax reforms are reflected in it. If they miss those estimates at this super high valuation, where we are in the market, right? 18, 19

times our earnings, pretty close to that. They're more like 18. If they miss these earnings estimates, you're going to see 15, 20% drops in these stocks. And you know what? They're still going to be up 10, 20% over the past 12 months when this happens. And that's what ha- But you're looking at a market where hey, it's going to be easy to beat earnings estimates and again, when you beat that number, your stocks go high but now that those numbers are higher, it's going to be more difficult to beat them.

Now you're bringing on extra risks into the marketplace, right? 'Cause we do have risks. Yes, we see the economy's good. Holiday sales came in strong. Going to see those retail report, probably going to report great numbers. But those stocks have run up a lot. If you listen to me, you should be up on almost any single retail that you bought, especially department stores. You should be doing very well on department stores. I think I was on three months ago when they got destroyed. "The mall's dead! It's dead." You just can't get a space for two miles and you got to wait on line for two hours but it's dead! It's dead. The mall. It's dead. I love that.

But you're at a market over 2018 and there's a lot of risks. Aggressively raising rates this year two or three times. We're seeing minor inflation. Yes it's picking up a little bit here. But you're taking that punch bowl away. Money no longer cheap where companies aren't going to borrow money to buy back stocks. You have companies in debt like Tesla, Netflix that always need to raise cash constantly and it's going to cost more for them to borrow money in the future. We're major disconnects in the high yield market where 43% of US high yield bonds trades inside 2.5% to treasuries, right? So that's a spread.

To put that in perspective, okay? Only 13% of US high yield bonds traded inside of that, right? So it's a 250 base point, right? 2.5% spread and that was 12 months ago. This is the largest percentage of high yield bonds trading within that range, within that spread since June 2007. If I pulled a chart up on this and maybe I'll post this on Facebook, Curzio Research Facebook page, it would scare the hell out of you. 'Cause you're seeing everything fine except for 2007 and except for now.

So what happened at June 2007? It was basically, that's when the market ... Credit crisis started before that. But that's when you started seeing those cracks come out in the foundations, taking charges. It was Indy Mac and all that stuff. That was in 2007. I'm not saying there's a credit crisis coming but you're seeing cracks in this foundation where we're at super high levels and there's a lot of risk in the market. A lot of risk in the marketplace.

So you don't want to look at this valuation as a reason to sell, which again, you don't want to sell solely based on valuation because you get momentum names. If you never owned Tesla, you never owned Netflix, you never owned Apple ... I mean, Apple's like 70 times earnings in 2004? I mean, you'd be up probably 2000% on that stock for the past 12, 13 years?

But you would've missed it because wow, it's tra- Look where it's tra- I can't buy it. So it's not a valuation but when you have valuation coupled with a lot of risks in the market place and you have geopolitical risks out there. US-China tensions, North Korea, Syria and Iraq. Then you throw in Bitcoin coming down, right? A lot of speculators getting to the market. More money coming in. Everybody's spending more. When you see something like Bitcoin crash, that's going to hurt a lot of the small individual investors and that's down 50% from its highs now. But there's a lot of risks in the marketplace that you have to be aware of and the fact that these estimates are being raised guys, means that the expectations are built in.

It's going to be very, very scary and it's not going to be that easy for these companies to meet their earnings estimates going forward. Remember that I said that. So what do you want to do? Just be careful. I don't have a crystal ball. I could be wrong. The market go on for another 15 years. I have no idea. What I want to do is try to have you guys make as money as possible by taking on a little risk, right? That's the goal as investment managers. That's what we want to do, okay? To do that, be careful. You're probably up a lot. Probably doing well over the past few years. Take some profits. Take a little bit off the table. Don't get too greedy here. I mean, I've seen so many people make so much money in stocks and lose the whole entire thing and they still own it.

I've seen people in mining companies where their stock was 10, 12 and they've owned every share and this was in 2005, 6, and they still own every share and the stock is 40 cents. You've got to take some off the table. Not every stock goes up forever and ever and ever. Not every stock's like Amazon. Or Netflix or Facebook.

So follow your stops and be careful. We're in the biggest bull market in history that's going on since 2010? And we're all pretty smart. We all know that markets don't ever, ever, ever go straight up forever. So be careful. Follow your stops. Take some profits in winners. Keep some powder dry, guys. Bear markets are good for people who are prepared 'cause you get to pounce on a lot of those great names that you missed on the way up that could be down 20, 25% later on. So make sure you have some money.

You guys earned it. You did very, very well on a lot of stock picks. You guys are probably up a lot over the past few years. So this market does turn and it will. It's not if, it's when. It will. You're going to be a happy guy 'cause you're going to be able to buy a lot of these stocks on the way down and a lot of great names maybe at a 20, 25% discount. But we are seeing those cracks in the foundation especially during earning season and now that all these estimates are raised and expectations are sky high, there's no room for error.

So if your company's going into earning season and they miss, you're going to see a 15, 20% collapse even in some of the biggest names, even in those consumer staples you own, even in safe haven places. So just be very, very careful in the market. That's what I'm seeing right now.

Hey guys, don't forget to check out my Curzio Research Facebook page where I'm posting live video, CES, great stuff. I'm getting a ton of views and these are just awesome. Again, I like doing these live videos just telling you what I'm thinking, what I'm doing. I'm posting those all the time and since I'm in the field a lot, right? So I'm going to be at the Vancouver Conference, I'm going to do some live videos there as well. Try to show Marin Katusa when I grab him and maybe at night we go to dinner and grab a drink and stuff and just hanging out 'cause that's when the best ideas come from, right? I mean, I could just do a live video presentation and show you a video of Marin and all those guys up on stage which is cool. I'm glad Marin's going to provide those videos for free.

But more important is when we go to dinner and we're hanging out discussing ideas, that's when you find the best ideas and it's really cool. I love to get you a part of that situation if I'm hanging out with Amir or whatever or hanging out with my analysts if it's Barry or Michael Alkin and we're just having a drink and hanging out. I'd love to get that take on it and just go around the table, what you saw today and what's cool. It's a lot of hard work. We'll sit down, have a beer and hang out, grab something to eat. But that's where you find the best ideas.

So I want to give you guys that inside perspective. You can get that by going for free. I try to provide as much free resources as possible for guys and that's all for free on the Curzio Research Facebook page.

So busy week, busy month coming up. Thanks so much for listening. Appreciate all your support. I'll see you guys in seven days. Take care.



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