

WALL STREET UNPLUGGED

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

Speaker 1:

Wall Street Unplugged, looks beyond the regular headlines, heard on mainstream financial media, to bring you unscripted interviews and breaking commentary, direct from Wall Street, right to you on Main Street.

Frank Curzio:

How's it going out there, it's March 7th. I'm Frank Curzio, host of the Wall Street Unplugged podcast, why break down headlines and tell you what's really moving these markets.

Is it me or are the Oscars the worst even in the world. I mean seriously, it's like the biggest no fun event. And if you think about the big events that you watch, they're all entertaining as hell. I mean you can go to the Superbowl, it's great the grand daddy of them all. You have the Master's in gold. You have the Grammy's, where you have really great performances and they mix it up, it's fun. The Tony Awards, is pretty cool. The Emmy's, filled with jokes and fun. I mean, I'm not even a fan of country music and the Country Music Awards are pretty cool to watch. Everyone's smiling and laughing. The Kid's Choice Awards, actors are getting slimmed on stage, it's fun, it's entertaining.

But the Oscars is past Sunday, I mean even the people who win the awards are unhappy. Hey, maybe it's because they already know they're going to win. I mean it's the most predictable major event ever, if you think about it. I mean after Frances McDormand won, did you say, "Oh wow, I can not believe it." Or Gary Oldman, all of them, everybody knew. Everyone, every list they went with the top. Every single list, Allison Janney won, Sam Rockwell won. Wow, what a huge surprise. And they kept like, "Oh I can't believe it."

Well, if you would of looked at every single person who takes polls on this and predictions, the whole entire world had that, so you should believe it. They had it for the last two months, they knew. Why didn't you know? You knew, come on. I mean the only surprise in the last 10 years was last year because they read the card wrong.

That's why when events are unpredictable, you don't know what's going to happen, that makes them exciting. But this, come on. I



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mean, you can't even get through it anymore. And it's not just the middle part, which has always been terrible for the past 15 years. Right, they have a couple of really cool awards at the beginning and then of course, you've got the big ones at the end. And then you have to sit there for two and a half hours. And you just sit. It's you know, I'd rather get poked in the eye 100 times with a pen, then watch that part for over two and a half hours.

And but now, it's boring the second it starts, with the red carpet. The red carpet is great, it's the same thing every year. Every year, right. You have someone, they'll have a couple people. You know, whatever. Yeah, doing those little interviews. Oh, look who's coming, it's Meryl Streep, oh wow you're so beautiful. Meryl Streep she's, yeah, she's the greatest ever, right. Actress, actor, I mean she basically could make a movie about staring at a wine bottle for two hours. And she'll just be sitting there and she'll get nominated for an Oscar, right, the best actor, she'll win. Right and not matter what she does or whatever, she's always in no matter what, it's great.

But the Oscars I said wow, you know what are you wearing today? Oh I'm wearing Dolce & Gabbana and Meryl will give you that fake smile like, oh yeah. And the host says, "Well, you just look fabulous." Who cares, who cares, who cares. You watch the red carpet and it's the same exact thing every year. They ask the same three or four questions, that's it.

If you really want to make it entertaining, ask Maya Rudolph why she's wearing a turtleneck to the Oscars. I would love to see her response. And she's cool, she's funny and she would probably say something back. Allison Janney or Salma Hayek and why she looked like a chandelier. If you put her next to a chandelier, you wouldn't even tell the difference with the dress. And she's entertaining as hell, she's funny. She would tell you to go, you know what yourself and it'd be funny, it'd be entertaining.

You look at guys like Howard Stern, those interviews are fantastic, right because he goes anywhere with them. It's not scripted or have a couple things, they mention the movie that they're in or whatever. But they'll ask them crazy questions and it's fun and he catches them off guard. That's what makes it cool, you know what you're going to get.

You watch Fallon on the Tonight Show, you watch all these at night, it's just kissing up. They don't even, they just ask like the same question. Oh your movie, oh it's so great. Oh how are your kids, how are your family? Challenge them a little bit, have fun. It's okay

to piss people off sometimes. Especially actors and actresses, who get their butt kissed all the time. Come on, that's why you have everybody loves the Howard Stern show. It's so real.

Then you have the political agendas, still. I mean, you're actors, we want you to get the, I won't say. To get the F away from politics and all the BS, that's why. We want to get out of that. We hear it every day, we can't put on a news program today, without a complete bias of what side they love and what side they hate and everything and who did. We're sick of it. Social media, even our friends, common politics. We hear it all the time.

So what do we do? Well, we turn to movies, we hang out. This way, no one has to talk, you just watch it. Now we want to watch it and it's all political. I mean you think they learned from the NFL, that entertainment and politics don't mix. That's why the ratings are the worst in the history this year, in the NFL. That's why this award is the lowest rated Oscars ever. The best is, this event lasted for four hours, the fake smile is boring. For four hours. Is that possible? Do we really need to see who won the Oscar for lighting design? Does anybody care?

And listen to their speech, uh, where they thank people that nobody ever heard of. Or thank their wonderful spouse, you're the rock, you're the greatest. Oh I love waking up to you and they do this whole entire thing. Which I don't know why everyone has to do that publicly these days. Note to self, if you have to say how great your spouse is publicly all the time, there's a 90% chance you have a terrible relationship and you're going to get divorced inside 12 months.

Seriously, if they had stats on that, I'm probably being conservative. Because all my friends that constantly talk, "Oh my wife's so beautiful, I can't believe it." They're divorced and they broke up, a couple weeks later, a couple months later. You don't have to let the whole entire world know how great your spouse is. Of course, in certain times, in an anniversary, I see it, great. Be those people, all the time, "Oh you're the great, you're the rock, you're everything today." Then you know, they'll break up. All the time.

Do we really need to see the Oscar winner for makeup. For sound mixing. I mean the Grammy's have similar boring categories. Which are important, I'm not putting those things down and I get it. But remember, we're watching something for entertainment. I mean, it's important that we have buildings and skyscrapers but it doesn't mean I have to watch how they're drawing up the plans

for four hours. It's important, it's very important but it's not, that's not why I'm watching the Oscars, I want to be entertained. It's the movies.

And the Grammy's, those boring categories, what they did is they took them offline. They didn't put them on live TV and maybe they show a quick segment of hey, here's the one, here's this thing and they'll do it better, to acknowledge those people. Again, important jobs but we're watching this for entertainment. I try, I don't know why I was even watching. I was just like, I couldn't get through it. I was like, you got to be kidding me how terrible this is.

It's an award show for actors, entertain us. The total US gross for the Shape of Water, which won the best picture, is 54 million dollars. In fact, of the nine films that were nominated for best picture, the total gross is 1.3 billion. For all of those combined, right. That came, half of that was from one movie, which was Dunkirk. That's the same amount The Fate of the Furious generated by itself last year. And you got to watch the Rock, Vin Diesel. At least they're on, Kurt Russell was in it, Jason Statham. Fast cars, airplanes, submarines, everything getting blown up. That's cool, that's fun, that's entertaining.

Even if there's chick flicks or whatever, I mean there's entertainment in those. It's fun, it's nice going to these. When you're watching the award show, this format needs to be changed. It's horrible. CSPAN is more entertaining than the Oscars. CSPAN watching, just people walking back and forth all day and the votes on the bottom. That's more entertaining. You could start by having cool categories, like worst movie of the year. Chances are, the worst movie of the year generated a lot of revenue, so they're not going to care. It'll be funny, it'll be a joke, it'll be cool.

The best scene, the best stunt performed by an actor. That would be pretty cool. Imagine the Rock winning an Oscar and then his speech. You probably know the average person who watches the Oscar's from 75 to 50, just with that one segment. Instead of having an event where the people who actually love movies, who go to the movies, who pay to go see you. And they watch them all the time, the audience. They have no say who wins or loses these.

You have the People's Choice award and that's why it's exciting because everybody saw these movies. They're cool, you're getting great actors that you know, you get. If you want to look at this, right. If you look at the Academy of Motion Pictures, this is a group of 6,000 voting members, from 17 branches. These people get to place votes on movies, even if they didn't see them. I am not

joking. They don't even have to see them and they could place a vote on a movie.

Think of how much ass you have to kiss just to get in that group. And man, don't say anything negative. Looking at that group specifically as early as 2012, 94% of that group was white. And 77% were male. I'm sure most of them were over the age of 60. Then what happened a couple years ago, Straight Outta Compton, amazing movie. Were they really surprised it didn't get any nominations at all? Which is great because outrage and then it should of got an Oscar. There was amazing actors in that movie. Michael Jordan in Rocky was great, he doesn't get nominated, not even nominated? And you're wondering why.

This group, which is insanely powerful, don't ever, every say a bad thing about them. If you criticize the Academy, good luck because you have zero chance. Zero, zero chance at winning best actor. I don't care if you stared in Titanic, Godfather, Schindler's List and Gone With The Wind, in the same year, you wouldn't even get nominated if you said something bad. Because it's up to them, it's not up to the people.

I don't mean to rant about this but when I waste four hours of my life, which is very, very busy these days, traveling and finding you stock ideas. I want to relax with my wife and watch something entertaining and I watch that, man. There needs to be an overhaul. They found a way to make regular season of Hockey fun, with four and four in overtime and a shoot out. They're finally changing baseball, where you can't visit the mounds 60 times a game, on every pitch. Because the average age of baseball is going up to 55, 56 now and they're losing a young audience. Which is important because social media is so huge. When you're posting the last dunk from LeBron James and you know, the last touchdown. All this stuff, people like, the kids love this stuff. They're posting it, it's amazing.

You're not posting a home run from baseball, oh look at this home run. Oh wow, he hit it over the wall, wow. You got to make it more entertaining, that's why we're watching.

Anyway, I can keep going here but I won't. If you just completely want to waste four hours of your life, watch the Oscars every year. Because that show, makes Keeping Up with the Kardashians look great. That's how angry I was after I watched it. Anyway, let me get off this.

Yeah, sorry for a long rant there. Getting back in the saddle. Really,

really awesome podcast for you today, that I promise. Because I'm interviewing two guests, here's interview one, then I'm doing two. The first is John Petrides, Point View Wealth Management. Fantastic, awesome. And then we have, Rich Suttmeier.

The reason why this podcast is going to be so special is because we're really going to detail the risks of the marketplace. You heard from me in saying, hey there's a lot of positives here. I like highlighting the positives. I'm going to say this in one in my interviews, when everyone's negative. When everyone's negative, I like to highlight all the positives. Negative, positive, positive, negative, back and forth, you know what I mean.

But it's, I try to keep things balanced, right. Because a lot of times, I see where everyone's a raging bull in technology. I'll say, guys be careful, there's a lot of underlying things here, just to keep things balanced, it's important. What these guys are going to explain to you today, is what's going on, why is it important with Cohn resigning. Why it's important, our interest rates are going higher. You know, why is it important with possible trade wars. It's not going to be explained on a level, where you need to be an economist and stuff like this. But they filter it down, to where you can see and be like, wow I see why this could be a big risk. They're both fantastic. I'm going to start out with John Petrides and here's that interview, right now.

John Petrides, thank you so much for coming back on the podcast, bud.

John Petrides: Thanks for having me on Frank, love doing the show.

Frank Curzio: I like to have you on once every quarter because you know, I look at your stuff. You're all over the media. It's just, I think it went a little bit longer than expected, so I kind of missed you man, I have to tell you.

John Petrides: Well listen, I listen to this show weekly. Although you and I have not spoken on the phone, I feel like I hear from you every Wednesday and Friday.

Frank Curzio: That's awesome because you're one of those guests that we can go anywhere, with this conversation. It's not like market specific, industry specific, whatever. That's important today, right? Because we saw in February and the reason why I love this and I wanted to talk to you so much, is because I saw what you were saying. Not a lot of people were saying this in February when the market came down. We see a lot of stories, a lot of panicking, which is normal,

right. I mean it's normal because we're comparing that to what? You know, the last, not the last really correction, it's been over 18 months. But yeah, you get these fears in the market, where oh it's another credit crisis.

I saw you coming out saying, look guys, this is a buying opportunity you just stay focused. Yes, we're a little over valued. It's kind of like that calm, that I like to see from people. Instead of everyone going, the market's going to crash 30%.

What did you see back then? And I want to translate it, to what we're seeing now. Because now, you know we're having a lot of risk in the market. We're seeing the market start to pull back again and I'm starting to hear from people are getting nervous.

John Petrides:

Right, so I think when you take a step back. You look back at 2017 and stocks really had a fantastic year. I think the big risk that would introduce or I guess reintroduce to investors in 2017, was complacency. You know the S&P 500 finished positive every single month in 2017. You really had no period of excessive volatility. You had a little bit with Syria on the geopolitical side, North Korea, Syria. That brought some nervousness into the market. But by and large, the market went up and to the right. The risk that, that creates is, it forces or it allows investors, who shouldn't take on risk, to loosen the screws and go a little too far out over their skies, to invest in certain investments and or stocks, that they normally would not do.

I think what you saw in February, were a lot of people caught off guard. Because the market had been so calm, for so long, that once volatility was introduced into the market, people just panicked and hit the sell button. We always live by the line that Warren Buffett puts out and that is, be fearful when other are greedy and greedy when others are fearful.

We hadn't seen volatility into the market in quite some time. Because we think the underlying fundamentals are so positive, on the macro side and on companies specific side, we saw that as an opportunity to buy really high quality companies at cheaper prices.

Frank Curzio:

Now, translate that into what's going on with the market today, right? Because you know, we can go over a lot of positives. We hear the positives and we highlight. The reason why I highlight the positives so much, even in my podcast and even in my newsletters. Is because when I feel that people are fearful for the wrong reason, I'm like hey guys, listen, there's a lot of great thing in the market.

The same goes true when, you know the market's really high and I feel like it's over valued. Everybody's really positive on it. I'm like, hey guys look, these are the things you got to focus on because not everything. I try to balance it out, this way everyone knows the risks and the rewards.

John Petrides:

Right.

Frank Curzio:

But now we're seeing another set of circumstances where, possible trade wars, right? I mean, I don't know if that's really getting out of hand, right now. You see this story how they could really be damaging. I just, for me, I'm going to talk about trade wise, before we talk about Cohn resigning.

But when I look at the trade wars, I think when you're the biggest country in the world, most powerful country in the world, right? We see people taking advantage of some of these things, which have been happening for years and it has no accountability, right, when it comes to politicians. I don't agree with the way its been handled, you know but I think you could make the same, say the same message, like you said with steel tariffs. Because we've seen China imports decline significantly and I've done a lot of research on this. Ahead of this announcement because he's been warning about this, since he's been elected.

You could get this same message across and actually doing this, what are your thoughts because is a trade war something we should worry about? Because for me, I look at other countries, for them to do what we're doing, increase their tariffs, they're not on the footing that we're on. I mean, they're just coming back, their markets are better right now. But I think they're more fragile than we are and then, that could be really damaging to their economy, much more than it would hurt us, if they decided to retaliate.

John Petrides:

Yeah, so I think two things are going on. There are two issues that have injected volatility into the market. One is, inflation and where intrastate is headed. We can talk about that in a second. The second one is headline risk, around tariffs and trade war and things like that. I think that's all it is, is headline risk. I don't think this turns into a full scale, blowout where other countries retaliate, in such an excessive way that it cripples the global GDP, the global economy. No one benefits from that, okay.

I think this is more Trump and his administration having their chest, just you know sending the message that, which is what he has built his entire agenda on that, the US is not just going to stand idle anymore to the global, to other countries. So whether he acts

or not, it really all depends. I think time will tell. I don't think much comes of this. I think congress still has a check and balance on him, in terms of passing tariffs.

At the end of the day, tariffs are not good for the overall economy. I think they do protect certain sectors and industries. But at the end of the day, if Ford has to pay more for steel, they're just going to increase the price of the Explorer to you and I. That's basically where it's going to go. It's going to get passed through to you and I. And taxes are never good for economic growth.

At the end of the day, there was an investment strategist that said this in Barron's, I think last week or the week before. Trump's ultimate opinion poll, is the stock market. You know, it evolved until it picks up in the market and stocks sell off. And values of companies go down because of a negative reaction to tariffs, he's going to listen to that more than anything else.

Frank Curzio:

Now, you brought up an interesting point with Ford. And I want to bring the audience in here, where you said, okay now, say if they have higher tariffs, that's going to result in higher steel prices. Higher steel prices, what's going to happen? Obviously it's going to be passed off to the customer. When it gets passed off to the customer, these are all inflationary trends. Let's go to the next step of what people are looking at and why they're nervous about this.

Now we're seeing inflation rise. It's still considerably low, when we look historical but it is rising and the whole world knows its rising. I like the fact that, that risk is on a table, it's not a surprise. But when you see things like this, where we're having tariffs and possible trade wars. That's when we're looking at higher inflation. Talk about that because that's a great point where people are like, well why is, maybe why is the market going up?

John Petrides:

Yeah.

Frank Curzio:

Why is this such a big deal? And you're explaining it, which is cool. We just have to finish that part off because it makes a lot of sense.

John Petrides:

Yeah, yeah. Let me bridge the two points. Let's not forget too, we are in the first week of March, there's three weeks left till the end of the first quarter. Earning season, which was stellar by the way, you had about 75% of the companies in the S&P 500, beat analysts expectations. Not only on earnings but you also had a big beat on the top line. Corporate America did a fantastic job, in terms of results for this upcoming quarter. What you're having is, if earning season is over, you have two things that are driving the market.

One is, upcoming Fed policy or upcoming jobs report and how that's going to impact the Fed policy.

Two, you have trade wars here, that's stealing the financial news. It's driving investor sentiment because earning season is now over, right? Now you have the headlines that are going to push the market around a bit here. Okay, so let's bridge into inflation and interest rates because what really set off the volatility that we saw in the beginning of February, was the really very strong jobs number, where we had what, 195, 200,000 jobs. But clearly it was the wage growth, that spooked the markets in that, we had wages expand at 2.9%.

Remember again, going back to complacency, the job, the labor market has been very tight. We've been below 5% unemployment rate for two years now. Wages have hung around between, growing between like 2.3 and 2.6% on an annual rate. With the economy that tight, with the labor market that tight, you'd expect that wages would have risen faster. Well, here we are in February and boom, you have wage growth go up to 2.9%. That's really what set off volatility because then you saw a spike in bond yields. All of a sudden the market starts pricing in, oh the US is going to look like Zimbabwe or Argentina or Venezuela, where inflation is 5,000% on an annualized rate.

We're not where near that, we're just expectations got a little too complacent. I think what you're seeing now is, this is Wednesday the 7th. This Friday you had the jobs report coming up. I think your listeners should be ready for and prepared for potential, more volatility to the downside, in the market.

If we have another strong jobs number and wage growth goes to 3%, 3.1%, the expectation for the Fed to do four rate hikes in 2018. When we came to be here with the expectations of three, is going to increase and stocks in the short term, I think are going to sell off.

If wage growth moderates, you know goes down to 2.8 or 2.7, for some reason, stocks are going to take off. Because then that will signal that the Fed will be on a more measured pace, there will not be this need to or fear of a fair rates and a faster pace. And the Fed can continue on their gradual, the gradual manner and telegraph their moves to the market.

I think this upcoming Friday, you're going to see a significant amount of volatility in the market. Potentially, either to the upside and or downside.

Frank Curzio:

Now, let's talk a little, let's get into this a little bit more because there's fascinating things there. We're looking at the markets and by the way, while we're doing this. We're doing this interview early Wednesday guys. It's going to get published at 5:00 p.m. later. I just saw the AEP number came out and it was red hot.

John Petrides:

Yeah.

Frank Curzio:

So we're expecting, like you said, it's going to be another great number. We're seeing inflation go higher. A lot of people are expecting it but it could go higher, even now with the trade wars and everything we just discussed. When you're looking at interest rates going higher and the Fed raising rates. There's interesting, there's huge ramification, right? When you're looking at the stock market, of allocation. Because we looked at a sector, that I've been, I wouldn't say I've been so wrong on but that I've been warning about, when it comes to consumer staples. Consumer staples are great but right now they're having, they're not growing sales as fast as they did. They're all, a lot of them are trading at 20 times plus earnings, forward earnings. You're looking back and saying, they usually trade 14, 15, 16 times earnings, historically.

Why are they so high? Because of the yield and that was the best place everyone was seeking yield. But now, it seems like we're going to have alternatives, if interest rates still go higher. Where, if that risk comes off the market and people think, well you know McDonald's is safe and you know, Procter & Gamble and General Mills. These are companies I use all the time and you know, they think they're safe but just like we saw with the housing market, right John. I mean, the housing market, housing real estate is a great investment but not when it goes up 25% annually.

John Petrides:

Yeah.

Frank Curzio:

For four straight years, when it's supposed to go up 2% annually. We've seen massive moves in these stocks, over the past four, five years. Is that something we need to worry about? And let's talk a little bit about yield because there's going to be a lot of opportunities, especially for income oriented investors, right?

John Petrides:

Yeah, so a couple things. I'm actually next week, I'm going to post a public commentary, that I'm writing now. It's basically, if stocks can rise in periods of rising inflation, rising interest rates. Frank, go back to the late '70s, early '80s. Remember in the '70s, when inflation was running out of control in the US, Fed Chair Volcker did everything, he essentially threw the kitchen sink at the inflation

problem. And raised interest rates. So at one point, the Fed funds rate, get this. If you're a younger listener, your older listeners, your more veteran listeners will know, full hand what happened back in 1980, '81. The Fed funds rate was at 20%.

Know that everyone, the Fed funds rate right now is what? 1.25%, 1.5. The Fed funds rate was at 20%. Good luck. The interest rate was to buy a mortgage, good luck, okay. It was you know, Volcker was out there to squash inflation, okay. And he did everything he could. Guess what? 1979, the Fed funds rate was about 8%. By 1982, the Fed funds rate had touched 20%. During those four years, the market was only, the S&P 500 was only down once.

It produced a positive return every year. Only 1981, did you have a negative year. Put that in context, that's amazing, okay. Here we are crying about and worried about, oh you know, the Fed may go up another 25 basis points more than expected. The market is down you know, 1%. Think about that, we had a positive return for one year.

Frank, go back to 2004 to 2006, okay. Greenspan kept interest rates very low, to help the economy out of a very nasty dot com bubble recession and post 9/11, okay. He kept interest rates at about 1%. Go to June of 2004, all right, the baton gets passed from Greenspan to Chair member Bernanke. Chairman Bernanke and then the Fed, go on a path from June of 2004, to June of 2006, of raising the Fed funds rate from 1% to 5%.

In a two year period, okay, the Fed funds rate went up 400 basis points. Right, that's a big, big move, in a two year period. Stocks, the S&P 500 over that time period, have had an average annual return of almost 11%, 10.9%, right.

So my point is, if the underlying fundamentals of the economy and or stocks are healthy, even though interest rates rise and that's going to cause more volatility of the market. Stocks can still rally. That's what gives us more calm and confidence to use the sell off, as buying opportunities of very, very high quality companies.

Now, let me pivot to your comment on the consumer staples and those stocks, that investors have embraced over the last 10 years, as bond surrogates, right. The last 10 years retirees in particular, have been starving for yield. We've had this massive wave of the Baby Boomers now coming into retirement. Post 2008, their portfolios were walloped. They're nervous as heck because they're saying, "Oh my god, I spent all my life saving and here I am. And I can't even live off the fruits of my labor here because I can't earn

enough yield." I have to go out the risk spectrum, I have to take on more risk. Own more stocks, which just went down 40% because I have to live the life that I want to live in retirement.

Okay, so what do they do? They embrace Coca-Cola, McDonald's, these mega cap stocks with low beta, which that means low volatility, relative to the market. That pay a 3% dividend yield of better. And they've had a history of growing that dividend eight to 12% annually, over the last 10 years. All right, so here basically what investors were trying to find was that, growing bond fund. Right, that bond where you know, what is a bond? A bond is fixed income. The problem with it is, your income is fixed. As inflation rises, you lose your purchasing power on the bond. They want a bond like stock, something that doesn't move very much but has a nice yield. More than they could own in a corporate bond or a government bond. And that dividend yield can grow over time because the company rewards share holders, by returning cash, by growing the dividend, okay.

Those stocks and I know you've been warning about them for a long time, have really increased in value. Investors were paying a 10, 15, 20% premium to the S&P 500 on a price to earnings basis, price to sales, whatever metric you want to use. Those big mega cap stocks, consumer staple stocks were getting a big premium to the market, for their safety. Man, a lot of them have gotten walloped over the last two months, since the start of the year.

The utility sector, the telecom sector, the REITs sector, consumer staples, those have all under performed. Those sectors where the market has embraced them for their dividend, have really sold off high and high and hard because of higher interest rates. Right now the market is saying, well if I can get 3% on the bond, do I really need it now because yields are higher? Do I really need to over pay for these type of companies? Now all of a sudden, with higher interest rates, you know fixed income becomes a better competitor, from an investor standpoint.

Frank Curzio:

Now, what is some of the ... Yeah. I love the way you explained that too. It was very simple, it made a lot of sense. When you look at other areas that people invest in because I know there's a lot of people out there and have these stocks in their 401K, they probably don't even know it. And they've done fantastic on it. But what are some of the investments now? Because remember guys, it's not something that you buy and you hold forever. A lot of you, you're seeing the basement adds a lot of rotation. When things change in the markets and as factors change all the time, the greatest investors in the world are going to shift their money

around, into things that they think are going to work for the next 12, 18, 24 months. Outside of all the algorithms and you know, high frequency traders.

If money's safe, money does flow out of this. I know you talked about other high yielding investments that make sense.

John Petrides: Yeah.

Frank Curzio: What are some of places that you think it can rotate into?

John Petrides: Yeah, so you know again, I would point your listeners to my Chief Investment Officer, David Dietze, at Point View. He recently just penned a commentary, post market bargains. His argument was exactly on this topic, that those bond like stocks have sold off hard. The income sector we really think is attractive is the REITs, the real estate investment trusts. We don't invest in private REITs but the publicly traded REITs, right? So what is a REIT? You know REIT is a company that owns an office building, maybe a distribution center that Amazon uses, a data center. Some sort of building, healthcare facility, some sort of building where the tenant pays them a rent and they own the hard asset, okay.

They clip the rent and they're required by the IRS to put 90% of their net income in the form of a dividend. Historically, REITs have had generated, have been a very good place for investors, to pick up yield. Now obviously the REIT sector got decimated in 2008 and 2009, when the price, when real estate collapsed. And they had a lot of leverage and we all know that story.

But that sector has become very, very attractive. The Fidelity REIT Index fund, just to use it as an example, I think it's down about 11% so far, to start the year, with the S&P 500 up, I don't know about 2%, depending on the day, 1.5%. And you're getting dividend yields, you know 4.5, 5%, 5.5% in the space.

Now, REITs do have their warts, you know no one is overly excited about a mall REIT right now. You know, your strip mall REITs with what's going on in the e-commerce world and you're seeing pop-up vacancies. That has hurt the sector. If you look at some of the malls, man they've gotten destroyed.

But other parts of the REIT market, the healthcare REIT space. You know with the boom and the seniors and Baby Boomers, and the elderly moving into skilled nursing facilities or senior housing centers. Those stocks have sold off really, really hard. Those yields are quite compelling.

There are parts of the REIT market that I think are very, very attractive. Not only that, in an inflationary environment, if you own a hard asset like a building, yes maybe in a short-term you have some vacancies. But that asset is worth something and can be monetized. In an inflationary environment, that's going to go up. Right now, I think the REIT space is extremely compelling, from evaluation and a yield standpoint.

Frank Curzio:

Na, it definitely makes sense. Now outside of the yield industry because I want to close this up here. What are some of the things and people love when you come on because you look at all areas of the markets, everything. You've always given us great stock ideas, that perform well. What are some of the things that you're looking at maybe? We talked about yield a lot, we talked about conservative income, we talked about bonds. Other sectors that maybe people aren't paying attention to or something even like technology, where you might still say, hey you know what, the earnings' growth is there. The sales growth is there and that's going to continue that momentum. What are some of the things that you're seeing maybe from a sector and maybe a couple of individual stocks, that you like?

John Petrides:

Yeah, well ironically tech is the one sector that we're a bit cautious on. For a couple of reasons, right now, the market to us is pricing in that, tech can do no wrong and no other sector can do right. I mean Frank, if you look at the S&P 500, tech is 25% of the index. Now, tech is not 1999, you know a lot, many of these companies now clearly are mature, they're generating cashflow and they're actually generating actual earnings.

But you know, the tech sector is getting to be crowded in our opinion. Although we have representation for our clients, we typically, equally weight our sectors for our client's portfolios, rather than making a one big sector bet. But if there's a place that we find value, there are two. One I think is healthcare. You know, I've been a fan of healthcare, we've been a fan of healthcare for quite some time because the long-term story of a growing and aging global population, is not going to stop. As we all live longer, I think we're all going to utilize the healthcare system more.

You know, if you want to combine those two themes, one of the stocks we like is Ventas, VTR, Victor, Tom, Robert is the ticker. And this is a healthcare REIT, it is a REIT that owns and manages senior living centers, skilled nursing facilities and assisted living, even some medical properties. Here you're getting over a 6% dividend yield, stock that's up about 18% or so, to start the year. In a sector where we think the long-term fundamentals are quite attractive.

We really like, I think I pictured this on here before, Gilead, GILD, which I own personally. I also own Ventas personally. Gilead is really attractive here. Gilead is the leader in HIV medication, they also are a leader in Hep C. When they did a massive acquisition of a company called Pharmasset, back in 2012. And they did a big acquisition last year, on a company called Kite Pharmaceuticals, to get them into the immunotherapy world in oncology. The company has a war chest for a balance sheet. Every business that they're in is cashflow positive. They buy back stock, they pay out a dividend. I would expect that they have another M&A deal in the works, given the amount of cash that's on their balance sheet that they could put to work. Gilead is not expensive from a valuation standpoint, it trades at a big discount to the market. I think that's an attractive stock in the healthcare space.

But look at healthcare in general, I think healthcare was one of the worst performing sectors in the S&P 500 for the month of February. J&J was down maybe 10% or so. You know, the whole sector has had a rough go.

Frank Curzio:

Yeah, you know that's great stuff. Yeah, listen I love when you come on because again, it's always market specific, right? We are able to talk about what's going on with the markets, what happened over the past three months. But it's never like hey, one specific sector. You know guys, if they want to help get more information off you, I know you mentioned earlier, how could they do it. Because I know you write a lot, I know you show all the videos where you do a lot of media appearances and things like that. I love when you're on TV too because you don't have an arrogance about you but you just have a confidence. And explaining things, which sometimes gets overlooked.

Because when you talk about inflation, right? And you talk about interest rates, people fall asleep, they don't understand. I think having this conversation with you and showing why that's important, when you come down to Ford, how could they raise prices in trade wars. People really understand that and get it. Then they see the risks in the marketplace. If someone wants to find out more information, how could they do that with you John?

John Petrides:

Yeah, Frank I appreciate that. You can go, we're at Point View Wealth Management and the website is PTVIEW, V-I-E-W, dot com. Feel free to check out our website and peruse through the content.

Frank Curzio:

That's awesome, well listen buddy, thank you so much for coming on. Again, I'm going to keep it, I think it was like four months this

time, we're going to definitely keep it every quarter. I love getting your update and hearing your thoughts. I know my audience does as well, bud.

John Petrides: Thanks Frank and I'll be listening to your bracket picks because we're about a week away, when we got to start selling off the brackets.

Frank Curzio: It's going to be fun this year, absolutely.

John Petrides: Yeah. All right, be good.

Frank Curzio: All right, sounds good, talk to you later, bye.

John Petrides: Bye.

Frank Curzio: We just heard from John. I just love how he dialed down and showed you about inflation, why that's a big deal, why trade wars. I like having him on because he's not a bull or a bear, he just sees the markets and he's actually bearish on the markets, right. You don't have people coming out all the time, that is bullish or bearish.

Now like my next guest, who's coming on now, he's usually bearish. I was afraid to have him on right now, which is Rich Suttmeier. But you, I mean this interview, which we taped a little bit earlier about 15 minutes ago. Unbelievable, a fantastic, please listen to the Fed balance sheet, understand some of the things that we know how, if you listen to this podcast for a long time, he's our residential bear. He always comes on, he's always nervous and stuff like that. That's why having him on now is great. But I wanted to have, not just Rich on and John on because just having these people on, that have a different opinion than you, is very, very important. When you're hearing some of the things that he says and some of the things that you have to worry about. And I challenge him on a couple things. And he comes up with the reasons why it may support the reasons, it's really cool. Because it makes me think, it's going to make you think.

It's going to make you dig further, do more research. And when you do that, it's always better for you. You cover every single angle of your investment, of your strategy, where you're allocating. And there's a lot of shifts that are going to take place in the market, over the next six or 12 months, with interest rates rising. The money coming out of some sectors, going out to another. We see that all the time with money managers. We're talking about hundreds of billions, hundreds of billions of dollars.

And you need to be aware of that because sometimes you have to adjust your portfolio. You can't just close your eyes and say, okay I'm going to buy this and hold forever and stuff like that. You know, buy and hold's always been a good strategy. If you bought whenever and held until now, it's been a good strategy. If that started basically, starting two weeks ago or starting 25 years ago, it's been a pretty good strategy.

But also, you have to be very, very careful where you're investing, what sectors you're investing in. Rich is going to cover that along with the Fed balance sheet and let's get to that interview right now.

Rich Suttmeier, it's been too long. What's going on buddy?

Rich Suttmeier: How are you Frank? I'm doing pretty good.

Frank Curzio: You know, I'm nervous to have you on right now, to be honest with you because we finally had, after 17, 18 straight months of the market finishing higher than where it started. Now we're seeing cracks in a foundation, we saw a 10% pullback and it came back. Now we're seeing a lot of risks in the marketplace, inflation, higher interest rates. I'm afraid to ask you bud but what are your thoughts on the market right now? I know you've been cautious for a very long time and you've highlighted some good stocks to buy as well. But over all, you've been bearish in the market, how do you feel right now? Are you seeing these risks that you talked about, really starting to come to fruition?

Rich Suttmeier: Yeah, as this year got going and all my model numbers came out at the beginning of the year, based upon the closes in 2017. I thought there'd be some additional upside but limited. That happened with the major averages peaking at the end of January. It went down, it held a key level, so there was a trade back up, based upon my work. But now, there's starting to be risky levels below the all time highs. And that for me, is a major warning.

We have gone from a sell, buy weakness market to a sell strength market. With trading opportunities, from the long side, given the volatility of the market. You're trading the volatility and of course, the best ones for that these days are the momentum stocks, the Amazons, the Apples, the Netflix, those kind of names are the best ones to trade now because they've been providing a leadership. And if you wanted to do that in terms of an ETF, that's the QQQ. That one tried to break out to the upside on February 27th, when the Fed, new Fed Chief was testifying in Washington. When they couldn't breakout because of what the Fed Chief had to say. That he's worried about higher yields and the unwinding of the Federal

Reserve balance sheet. And therefore, that's the catalyst overall, that's providing the negativity in the market today.

Sure, you have Gary Cohn leaving and there's all sorts of other things, cross currents that come in. But the bottom line, we are no longer going up on money printing, we're going down on money un-printing.

Frank Curzio:

Now you just mentioned at the last part. I was going to ask you to explain, to the non economists out there, the unwinding of the balance sheet. What does that mean? I want to really get into the numbers because Rich, you are by far the best person I know, when it comes to analyzing the Fed's balance sheet. I mean you look at this thing and it's incredible the information you're giving.

This is something that's worried you in the past. I had a guest on-

Rich Suttmeier:

Yes, I mean.

Frank Curzio:

Go ahead.

Rich Suttmeier:

We're going to be going at a pace of by, I think it's by October. They're increasing the number of securities that they're flushing down the toilet, each month. Then when it hits 50 billion dollars a month, I think that's going to be in October. Then it stays at 50 billion dollar a month, probably through 2020. Getting the balance sheet down possibly as close to two trillion dollars, from the 4.5 trillion that we started with.

That's 2.5 trillion dollars that's being wasted, that could be used for infrastructure spending, healing the healthcare insurance issues, you name it. It just really pisses me off, that the US Treasury doesn't realize that and that Congress doesn't realize this. They probably don't even know that the Federal Reserve makes 50 billion, 60 billion dollars a year in profits. And you know where that money goes? To the Treasury, so if they have securities maturing, they should just let the Treasury have them. Put the money where it needs to be, we need it in the expanding economy.

You cannot have a fiscal stimulus be successful, when the monetary policy is tightening. It just doesn't work.

Frank Curzio:

Now, talk about the tightening because the guest I had on early was like, you know he was talking about interest rates. He was a little bearish short-term too, seeing a lot of risks and inflation and trade wars, can increase inflation, right? And he spoke just before you. He started comparing interest rates back to the 1980s, when

they were you know, the Fed funds rate was 19, 20%, whatever it was in different periods. However, if you know, it's not an apples to apples comparison because we're looking at our debt significantly, significantly higher. Maybe it's close, maybe if you use the percentage of GDP, it might be a little closer.

But explain what higher interest rates actually does? Because we, to control inflation and to see where GDP is and even nominal GDP, where it's 4.5 to 5%. Nominal just means, inflation plus GDP. We're looking at where short-term rates are or the whatever. Rates have, should be higher. Historically they've traded a lot closer to that level, within a 2% range. That we're seeing we're way off and why the Fed is so aggressive but what is that going to do to the balance sheet? I think that's a question a lot, that I get asked a lot. What's going to happen when interest rates get higher, with the amount of debt we have in the balance sheet and the Fed and stuff like that. Could you explain that because that's something that seems like that really scares the hell out of you?

Rich Suttmeier:

Well, when you look at what the Fed is doing and hiking rates. That hurts Main Street and small businesses because their rates hike by 25 basis points, each time the Federal Reserve raises that rate. However, if you go in and you own a money market fund or a CD at a bank, you don't get 25% more. That hurts Main Street, okay. Right now, household debt is at a record high, 13.15 trillion dollars. With the biggest rise in percentage terms, is credit card debt, now above a trillion dollars, alone. A lot of this, like 800 and some odd billion of that, are directly in the banking system, among our nation's largest banks. They're starting to see defaults. When they see defaults, what do they do? They send out letters to everybody else, raising their credit card rates. Because they have to offset their losses from the people who can't make the payments, to on the backs of people who have been making their payments.

That is a squeeze and it's going to be a squeeze. And one other thing that I'm really worried about is, if they take this infrastructure spending and tax on a 25% gas or 25 cent gas tax or whatever, to pay for it. That's going right to the pockets of the people that are getting tax cuts and one-time bonuses and all of that. And they're paying for it, Main Street is not being helped. They haven't been helped and won't be helped, by the way things are going.

The other final point I'll make on this subject is, if you can offer out the 30 year bond yield right now is 3.15% for a round number. You could auction off trillions of these bonds, a 30 year bond, at 4% right now. And you would have more than seven trillion dollars in the FDIC guaranteed deposits. A lot of that money would

go right into those bonds and that could be used to pay for the infrastructure projects. You could create these bonds with some features, that would be helpful to Main Street. In other words like, using it to pay medical bills, using it to pay student loans. It would be a source of funds where you could sell the bonds at the market or in special situations always at par. Going back to the theory that we used to have when we paid for the World War II afterwards and bonds known as Flower Bonds. The last of those matured in 1998 and they had the highest coupon allowed for those was 4.25%

Frank Curzio:

Now Rich, what is the actual trigger for this? Because when I hear you say 13.5 trillion in household debt, when I know there's one trillion credit card. And I don't know the statistics on a credit card, I haven't looked, one trillion. But I look at student loans, 1.3, 1.4 trillion dollar market around there now. But I'm seeing with student loans, even from the companies that I cover, which is Navient debt. That more people, that default rates are going down. More people are paying their mortgage.

I mean, is that something to look at where we saw the credit crisis. I'm not trying to scare anybody here. But I remember, if you saw the Big Short because a lot, most people read it but a lot of people saw it. He said, what's the chances of your sub-primary, or whatever loans defaulting by, I think it was 6%. He said, "We're done." And he goes, "Zero, zero." And he holds a zero. I mean and yeah, but even at that time we're looking at defaults and in the housing market, we're still in the single digits. What does it trigger? Do we need to see default rates go higher? Again, I haven't done the research on credit card but I know right now, with student loans and housing, those rates are actually going lower, they're not going higher. I mean, what's the trigger for it? I mean what do you need to see before you're like, okay this could be very, very dangerous?

Rich Suttmeier:

Well, I think the danger right now is commercial real estate. That part of the debt, in terms of what banks are going, are holding. Commercial real estate, that's non-form, non-residential. It represents you know, the strip-malls, the office buildings and all this other stuff. If you look at the REIT ETF, that's the symbol RWR. That's in correction mode already and that's where the value of property, the collateral for that item on the balance sheet.

I mean, if you look at the Federal Reserve balance sheet, I should say the FDIC balance sheet, pardon me. These loans, they're the non-form, non-residential real estate loans. They represent lending to construction companies, to build office buildings, strip-malls, apartment buildings and condos. Now, that hit a record

1.39 trillion in the fourth quarter. And that's up 44%, since the end of 2007. There's never been a decline in that part of real estate lending because it was deemed to be safe. Now it's deemed, I think totally not so saved, with risk of default coming up. That's reflected in the weakness in the REIT ETF. That's a warning sign for me, a big warning sign.

Frank Curzio:

Na, it makes a lot of sense too. We're seeing that, where I don't know if I think it's 50%. I think 55% of all the leases in the mall come up in two years. I read something like that. I don't know if that's normal, where they take out maybe two to four year leases or whatever. But and I still see demand in these spaces where, yes you're seeing less traffic. But you know, when I see people, when it comes to mall REITs, like not people but companies like Apple and Tesla and even Amazon, getting more into big box and opening more stores.

I wonder if it's just a transition. I mean we're seeing a lot of the department stores get more lean and close a lot of stores. But it's going to be an interesting trend. I mean, I don't know if you've done the research, in terms of the lease coming up. But I think in the next few years, we're really going to know if, hey this is going to be really, really terrible. I mean they're anticipating it, right? The REITs have gotten hit. Do you see it as a buying opportunity? Or you still think that, hey you got to really worry, these things could be in a lot more trouble?

Rich Suttmeier:

Well, I'm not a buyer of bank stocks, that's for sure, if that's what you're asking? I'm not a buy of home builders. I'm not a buyer of anything related to real estate. Because I think, the whole sector is vulnerable. I mean you have house prices overall, at the levels they were in the 2006 highs. The rise in the prices of homes, have certainly exceeded the price of household income. Now with the tax and you're limited to \$10,000 on either property taxes or income taxes, which hurts in many states. That's going to be a problem, in my opinion. That has been reflected in most of the recent figures on home sales, existing home sales have been going down, new home sales are down. Single family starts are down. Mortgage applications, down.

These are things under the surface that bodes a lot of problems right now. I mean if you look at the 20 city index, that's up 52%, since March 2012. In other words, to buy a house in 2012 and now that same house today is 52% higher. Did anybody's income go up **52%? I doubt it.**

Frank Curzio:

Yours did, what are you talking about?

Rich Suttmeier: Most people on Main Street are struggling to make ends meet. Paycheck to paycheck. Any extra little money they get in their paycheck, if it's not swallowed up by the banking system, adding fees to the checking account or raising their credit card rates or their small business loans. It'll soon, that optimism that you see, will soon fade away.

Frank Curzio: Now, Rich, I'm going to ask you.

Rich Suttmeier: Particularly.

Frank Curzio: Ah huh.

Rich Suttmeier: If infrastructure spending, is delayed.

Frank Curzio: Which yeah, it probably will be right? With everything else going on, I wouldn't be surprised. Even though both parties agree that we wanted to trade. They both ran on a trillion dollar infrastructure policy, right? But yet, it's going to be a disaster getting something passed.

But I'm going to ask you a really, really tough question. This is going to be the toughest question ever. What do you like?

Rich Suttmeier: Newmont Mining.

Frank Curzio: Go ahead, mining, go ahead.

Rich Suttmeier: You know, I said you have to have some new stocks and I've been liking Newmont Mining, it still hasn't really regained momentum because gold prices have been kind of fluctuating and not really showing a trend. I mean, you go to the energy sector you've, gosh there's, that's a grave yard for stocks in the energy sector. The only way you make money in this market is, chasing momentum and having a sell stop, to make sure you limit your losses once they peak out. If they peak out, this market's in trouble.

If Amazon all of a sudden, goes down 20% again or Apple down 20% again. Or Netflix or any of these guys go down 20% quickly again. As they did, during the brief correction that we had. Some of them went down 20% maybe 10%. But they could go down 20%, if you know what I'm saying. And that would be the real kick in the ass, so to speak.

Frank Curzio: And when you look across sectors and analyzing sectors and I want to finish up here. Mining you can see as a sector that's going to fair, for how long? I mean since 2012, minor couple you know.

Rich Suttmeier: Well, I think there's more statistics that I think are more important than US sectors. Because so many people are saying, well the foreign markets are cheap and they're doing well. But that's not true. The Nikkei 225 is in correction territory for the year right now, from the years high that is. The Shanghai Composite is not, is attempting to rebound. But did you know that the NIFTY 50 in India set a new low for the year this morning?

Frank Curzio: I did not know that, no.

Rich Suttmeier: A new low for the year. Let me reiterate. The Nikkei 225, a new low for the year on March 5th. The NIFTY 50, new low for the year, March 7th. The German DAX, a new low for the year, on March 2. People are saying, oh the global markets are doing great. No, the global markets are warning that the US markets are over priced.

Frank Curzio: Good way of looking at it. Now, okay, last question here. Prediction over the next 12 months, where do you see? Because you are seeing cracks in the foundation, we're finally seeing higher interest rates, that people thought would happen three, four years ago and higher inflation. We're seeing just like you said, with the Fed balance sheet, there's a lot going on. What are you seeing on how you position yourself? I mean, what kind of correction are you, is it a correction, is it a crash? What are you looking at maybe over the next 12 months, that we need to see? Before you say, hey you know what, it you know we're, I'm going to be all in, in the market and start buying.

Rich Suttmeier: Oh, I don't think that's going to be the case but I say 20 to 40% risk to the downside. Starting and we may of already seen the highs.

Frank Curzio: So 40% risk, even though because when I see 40% risk, what I think is that, if we go down 20%, the Fed is going to do the same exact thing. I don't agree with it, I don't like it. I hate it. But as someone who's managed, someone who tells you know, supposed to give investment advice and tries to help people. When I see how much money the Fed made the last time they came into the market and took stakes in banks, it backstopped everything. For me, if I see a 20% correction and we still have massive risks, where we can go down even further. I think it's like hey, let's go all in, this is how we did it last time. Which means that could be, again we'll push it down the road further, like we do.

But that's something, you know as analysts, we have to address, right? Not that we like it, not putting our personal feelings aside, whether it's politics or whatever. But something that I have to address because I believe that is going to happen if we see

something like a 20, 25% pullback. Plus when you see guys like Warren Buffett with a 100 billion dollars on the sideline, waiting for this market to come down. We've seen a lot of trillions come back into the market in you know, for repatriation and stuff like that. It seems like we're going to see a lot of opportunities where it comes down. Maybe the people are going to come in and buy the market here, no?

Rich Suttmeier: No, I don't think Warren has had a couple of goods trades here. He's selling IBM at a low and he's buying Apple at a high. And that's not his usual style, so I think his younger potential heirs to the management of Berkshire Hathaway, has gotten into his head a little bit. Everybody that's looking at trading like Buffett or investing like Buffett, he's not being Buffett lately.

Frank Curzio: That's great. It's great because you're exactly right, there are certain things that he's doing right now, that's not really traditional I've seen him do in the past. Okay, so we'll end with, I hate ending like this, I really do. I'm trying to get like a little bit of a positive note.

Rich Suttmeier: All right, what do you want, what do you want from me?

Frank Curzio: Give me a stock pick or something, whatever. Come on, you can't end like this. The markets are going to crash 40%, I'll talk to you later. No, but listen, I'm kidding. If that's how you feel, that's how it is.

Rich Suttmeier: I mean, you cannot unlike Amazon for trading reasons. I mean it's a momentum trade, it's not ending yet. Just remember that when it ends, it's going to go down 10% quickly. You know, if you buy it and it reaches your target, sell it. Then wait for the next one. This is a market of going long on weakness stocks, that have a history of popping back and setting new highs, which is your Amazon, your Apple, your Netflix, your Facebook. All of the obvious momentum names, those are the ones you trade.

But there's nothing that really a portfolio holding for the longer term now, except you know you need a goal stock or a gold investment for maybe 10%. Then you're 40% in cash and the rest of it is your long-term holdings that you had for years. What's interesting is, if you look at utilities, remember I liked utilities, then I didn't like them. I didn't like them when they got to a 3% yield, now utilities are a 4% plus yield.

It's time to look at some of these dividend plays. The Dogs of the Dow have been horrible, so look through the Dogs of the Dow.

You have a 5% yield in Verizon. Four, I believe, close to 4% in the two energies, Chevron and Exxon. That's the kind of thing, it's time to look at maybe you want some dividend plays in here. Dividend stocks, gold is I think the balance of your portfolio now and trading the momentum names. That's the way you trade at night, right now.

Frank Curzio:

Yeah, that's great Rich. I really appreciate, you brought up a very good point to end here where, which I thought was very interesting. We're always by the dip but maybe it's not, hey you know what yeah, we bought the dip when we dived down 10%. But it's interesting you're saying, no, no maybe it's not we're buying a dip anymore because now we hit the highs and we're selling off, maybe it's selling the strength here.

It's interesting to see if that trend continues with everything going on. But Rich, I love having you on. I love going over the Fed balance sheet, I love. You know, I learn from you, every time I talk to you. Even though we have different opinions, that's why I love having you on. I always tell everyone listen, if you're bullish on the market talk to someone that's bearish, if you're bearish talk to someone that's bullish. Because it's going to make you dig even more and do more homework and you always do that every time I'm on with you. I appreciate it and I know my listeners appreciate it bud.

Rich Suttmeier:

Okay Frank. I always enjoy talking to you.

Frank Curzio:

I appreciate that. Listen, I'll be in touch and I'm sure, if anyone wants to learn more about Rich Suttmeier, where do they have to go?

Rich Suttmeier:

I would go to the Maven.net, that's my really, home base. I have been writing for Seeking Alpha. I have been writing for Investopedia. I've been writing for Forbes.com. You can find me in those four places. Google my name and you'll find me.

Frank Curzio:

All right, sounds great Rich. Thanks so much for coming on, I'll talk to you soon, all right?

Rich Suttmeier:

Yep, take care Frank.

Frank Curzio:

Take care. All right guys, two good interviews. What did I take away from them? Hopefully it can help you in the way I'm thinking, where the talk about commercial real estate was a big deal. Remember, we didn't see a large percentage of residential mortgages and mortgages in general, have to fail, before we saw a massive crash in that market, right, during that credit crisis.

Commercial real estate because when he's saying credit cards and again, I haven't done the research with credit cards. But I look at 13.5 trillion housing, I see that as a stable market, default rates are okay, they're fine. And that's why I was asking for the trigger here. The student loan industry, I cover a company that is the biggest provider of student loans, the biggest owner of student loans. Default rates are going down, statistics show. They're a company that gets picked on all the time, it's an easy target for politicians, right? All you have to do is argue about student loans, there's too much debt and here's a stupid company and everyone's going to kill a guy. I mean, it doesn't even matter, right?

Every student is pissed off that they have debt, even though they should take a little bit of responsibility for that, just a little bit. They have tons of debt, go to educate, have that education for four years, right? You did fill out the paperwork, you did everything. Yes, some people got screwed awhile ago and I get it but it's an easy target.

But bringing up commercial real estate was interesting. Going over the Fed balance sheet was interesting. Rich talking about trading and at the end of that interview with Rich, it wasn't I was trying to change the page and joke around and stuff like that. But for me, it was kind of like, what is good? I wanted to challenge him a little bit. Okay, if we see a 40% decline, which I don't think we'll see because the Fed will step in if we have a 20, 25% decline. They made money the last time, on everything that they did. The panic, I mean look at the panic we saw with a 10% correction. Which two weeks later, came back. The panic that we saw, volatility, crazy.

Imagine if we go down 20, 25%. I mean forget it, the headlines, the paper, social media, how fast things spread today. I mean I had very, very, someone who's very, very smart and I admire very, very much, who's a bear. He's actually a money manager that I worked with at one time. We're down 8% and he was putting out things that were laughable. I actually called him on it, on Twitter. I didn't make fun of him, I like him. I have a lot of respect and he's a great guy, he's very smart. But saying that, oh the Fed could come in and J.P. Morgan are saying that the Fed could come in on this pullback. And they need to you know and check money or whatever. I'm hearing rumors and stuff like that.

I was like you know, listen, come on. I mean, I called him out on Twitter, I said, "Could you take it easy." I mean the market is still up. Whatever it was that declined in February, the market was still like up a little bit, a half of a percent. Like we're up for the year, take it easy. We're not there yet.

But if that, if a guy like that, who I consider very smart and a very you know good analyst, decent analyst, could get that shaken up over a 10% correction. What's going to happen at 20, 25%? You have to factor that in. I don't care if you hate it. I don't care if you believe it. Because I had that problem in 2010, where I'm like, man I can't believe the Fed did this. I can't believe you know, they should of let the banks fail and this. Then you know, I listen to David Tepper come on CNBC and he said, "Listen guys, the Fed's backstopping everything, there's no risk." He goes, "You know what's going to go higher? Everything is going to go higher." And I just was like, man that's 100% right.

Yeah, so instead of focusing on the wrong things, you want to see where stocks are heading and what's going on. And the fact that inflation, I mean that was great when John explained, right? Because hey, we all see inflation that's a risk. But with trade wars and some of the things that we have, could spark a much higher inflation, which I don't know is that's factored in, right? That's where we're seeing the market come down a little bit on these trade wars. Now Cohn resigning.

That's what I took away from the interviews, looking at that. It makes me want to research more, even if I have a different opinion. You know, I respect everybody. That's how you want to look at the markets. I can tell you something about Rich because sometimes you're like, well Rich is always bearish, he's been saying the market's going to come down. How interesting was it, what he said about six months ago. He's like, "You want to hear something good, you want to hear something different?" He goes, "Amazon, they're probably going to get into healthcare and all their Prime members." I mean, nobody was talking about healthcare for Amazon, nobody. I was like, you know what, that's a pretty good idea and look what happened, they're getting into healthcare.

You look at every interview, every person. Just because if you don't believe or you don't have the same opinion as them, doesn't mean that hey, everything that they say I'm going to disagree with. Or you think that person's terrible or an idiot or whatever. That's what I try to do and it makes me dig even deeper, if they have a different opinion than me, which is always better. It's always better to do more research. Double check, triple check.

That leads to more winners for me. It stops me from having bigger losers and hopefully that's what you took away from those two amazing interviews today.

Okay, check out my Curzio Research Facebook page. I post live

videos on all the time. I didn't do any this week, it's been very, very busy. I have some of my team members here, which is really cool. But I'll post one later today. You know, it's on Cohn and my opinion and stuff like that. I love doing the live stuff. It's hey, you make a mistake, you make a mistake you know, it's a lot of fun. But it's real, you see me. I'll sometimes be in a t-shirt, I just worked out. I'm in the office, I work all day. It's kind of like, yeah, just having fun and it's cool. You know it's, you're going to get really good detailed analysis. Really great stuff, talking about the department stores. Which if you listen to some of those videos, were fantastic, good timing, saying hey, Macy's looks great into the quarter.

Your low expectations, you know watch out for Walmart. Watch our high expectation stocks and stuff like that. But also on the Curzio Research Facebook page, everything's for free. I heard people say, well Frank I don't use Facebook. You can have a Facebook account and just look at other people's things. You don't have to have a Facebook account and you know, have to post stuff and every, friend everybody or whatever. You know, it's just a good outlet that really gets our brand global and gets everything out there. We like it for a lot of our free content because right now, we're at the stage of growing our business. Because everyone that knows us, a lot of you are subscribers already and that's how we grow our business. But to grow it even further and take it to the next level, you got to go to people who don't know our brand.

That's why I like providing free stuff like this podcast and also the things on Curzio Research Facebook, which you know we also put our weekly breakdown on. We take the best stories we think, best stock stories and you get all that stuff for free. If you're on our email list, you get that every weekend. It's a good read, it's fun. You know just read tons of stuff. It's something that I would want, so we get a lot of compliments on it. I was like, wow, I wish I could just filter out some of this garbage and just put it in like a good 10 stories at the end of the week, that are important, that are interesting. That can make you money, that no one's talking about. And that's what we do, you have it all in one spot.

It's really, really cool. Be sure to check it out. Be sure to comment, I have people saying positive, negative stuff, which is cool. You know, I don't mind at all. But it is a way to introduce us to people who aren't familiar with our brand. That's why I like Facebook and that's why you know, we do this podcast too.

Yeah, definitely be sure to check it out and guys that's it for me. Thank you so much for listening, always appreciate your support. I'll see you in seven days, take care.

Speaker 1:

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