Frank Curzio's WALL STREET UNPLUGGED

Frank Curzio: 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 Stream.

How's it going out there? It's March 28th, and I'm Frank Curzio, host of Wall Street Unplugged podcast where I break down the headlines and tell you what's really moving these markets.

I tell you, it's been a tough year for me this far family-wise. I'll tell you what happened to my wife. They found a lump in her breast. She's a breast cancer survivor. Told you guys to say some prayers. You did and it worked, turned out to be nothing. The past four or five days have been difficult because we found out our youngest daughter had bad stomach problems, brought her to the emergency room. She's seven. And, originally, they just sat there back and said no, it's probably nothing. I mean she was in excruciating pain every time she went to the bathroom. We said, "Okay, let's wait a couple of days." I was actually out, a four or five-hour drive away for like four days and it just got progressively worse, so we took her there again. And then, they admitted her and they started to ask about the family history and my dad had colitis.

So, they were thinking it could be colitis, it could be Crohn's Disease. So, yeah, she's been in the hospital for the past four days, a lot of pain and stuff like that and then she basically just got diagnosed with ... actually, it's in the middle if that makes sense. So they're not ready to call it either or but it's one of them. So, when it comes to colitis, it's basically lower, large intestine, and Crohn's is pretty much small intestine as well and they say that could be a little bit worse. That could require surgery. I have a friend that had surgery and yeah, he's much better now and things like that like later on, but this is something that she's gonna have for the rest of her life and it comes in and out, and sometimes it's remission and sometimes it gets bad.

So, I've been getting a lot of feedback from people that had it but it's been a pretty crazy period. I mean the last four or five days

kind of in and out of the office. Your head's in the clouds, a little bit of what's going on but now that we know at least we can learn about it and get a better perspective. But, it's been tough and it's ... we're talking about different drugs to use. We're gonna get to that stage and diets and things like that, but I'm pretty sure that the insurance companies are not gonna cover these drugs that she needs. Sometimes people will use drugs to a certain amount of time and you can be in remission for three, four, or five years and then it comes really hard. So, it's almost like three steps forward, two steps back, and you keep going that way. It's just something that you live with that's tough. It's just she's so young so it's a difficult situation.

But, then when you've got insurance companies and the doctor's like, "Well, we even appeal a lot of this for people who have this and they say more and more people, more and more kids are getting diagnosed now than ever with these diseases", which is interesting because they don't know what the cause is. They say it could be hereditary. They say it could be stress related or diets or what they eat, and so they don't really ... they're not too sure what it is. But, the fact that it's increasing is kind of interesting, right? Usually we see some of these diseases where there's so many things coming out, new technologies. We're hoping that a lot of these things that have been around for so long, percentages are decreasing.

So, when you look at that part with the insurance companies, it's really interesting because the cost of these is crazy expensive and the insurance companies now today, it's terrible, US healthcare, and they're horrible just like everybody else. You pay a fortune for insurance and they really do everything they can not to pay you when you're paying for this in case things like this happen.

And for example, my back has been hurting a ton lately. I know it's like something more than just a little pain. It's been hurting for about two, three months. I have one of the best back doctors around and I had two surgeries on it. I know it's something more and I just want to make sure and say, "Okay, what's the deal", because they say once you have one surgery, you're gonna have more. So, my doctor's like, "Okay, we need an MRI to see what's going on." So, we order the MRI and they denied it. They said, "Nope, we don't think you need the MRI", even though I had two back surgeries.

So, you look at insurance companies right now, it gets to the point where you're looking at Jamie Dimon, Jeff Bezos, I mean they're trying to, yeah, just provide a better ... not disrupt the industry

so they make profits. But the whole industry is completely broke because I'm thinking, hey, okay, I have ... might afford this. Okay, I have my own business and it's not like I'm filthy rich and own 20 boats or anything but what about the family that makes 30,000, $40,000 a year?

The average income is what these days in the US, like 40, 50,000. We have insurance companies that are refusing to pay for some of this stuff. It gets pretty crazy when you think about it. It's something that should be covered and it's not. We've got to take something that may not be the best drug for her. And again, we don't even know it too much. I'm learning about this situation. It is so new.

I just came back from the hospital. It was interesting because my wife slept there for the first I think it's four days, so she's been there for five days and now she's gonna be in there probably for seven and she was in excruciating pain, getting up like every hour screaming. I mean it was crazy. Think the exorcist except not that deep voice. It was insane. I felt terrible for her.

So, my wife got no sleep. I said, "Look, I'm gonna sleep at the hospital. I'll take it." I slept at the hospital last night. So, I'm doing this on Wednesday. And, they gave her ... they finally diagnosed her, so they basically said it's either/or. They'll leaning a little bit more towards Crohn's, but a lot of times we're really not too sure until later on. Either way, you've got to use the same medicine, which is steroids, which basically kills it for now. So, she took the steroids yesterday and they started kicking in. She's getting a lot better so I said, "Yeah, I'll sleep there." I'm averaging probably about two hours sleep maybe in the past four or five days with all this going on.

So, of course that kicked in and we both slept for like ten, 12 hours. My wife, "How was everything? Was she okay?" I couldn't tell her that we slept for 12 hours. You never tell your wife that, ever. It's like you're going away on a trip with your friends and she has the kids and you come back and you say, "Oh, it was so great. We did so many great things. You have no idea", no. That's a no, no. You never, ever, ever, ever say that, ever. You say, "Oh, I missed you. It wasn't that good." That's the bad thing. So, I was kind of like, "Nah, it wasn't that good", in the meantime I was very, very happy that she slept. I just told my wife, I was like, "No, it was pretty good and we slept."

But, to try to make a positive out of a situation that's kind of tough right now, but it is interesting. It comes back to why take this job

so serious. I mean you're giving people financial advice, that's their money. That's something that they rely on. You try to give 'em good advice so they can retire early. They can afford to ... if they're in this situation, and maybe they're not doing that well or whatever, hopefully you can provide that. I mean that's why you take this very, very seriously. It's the reason why I started Curzio Research because right now the financial news within our industry has become a shit show. It's shit right now.

I mean you have guys that ... ex-CIA guy giving me financial advice. You're getting a politician giving you financial advice. I don't think there's any politicians ... I mean what was it, like two presidents, maybe one that had an MBA. Yeah, they're just not financial anything, but you know what, they could sell and that's good. You get these big, crazy promotions. These guys can sell anything. And, in the meantime, I mean so many people are getting destroyed. You see that all the time. It's something I take very seriously.

Even with Michael Alkin with his daughter. He came on my podcast, [inaudible] trader, right? Under Curzio Research. This happened to his daughter as well and it got really bad to the point where he almost lost her. He told this story. That's why I'm sharing it with you. It made me think, you know, like holy cow. He said, "I'm in the hedge fund industry. I want to help people." When I see a guy like this who's one of the best short sellers and seeing a market like this where he says, "Frankly it's kind of like shooting fish in a barrel" and stuff like that.

Yeah, these are kind of people I want to try to get in front of you to make you money. That's why when you see markets like this you're kind of prepared, because when you're long only, which are my two newsletters, and I might come up with a few short positions, you're gonna see 'em get hit in markets like this, but you want to be able to provide people and get those people in front of you that are gonna help you make money. But, when it comes to family and stuff like that, it's very important and it's why I started this company, it's why I take this job so seriously, because when I do have losers, that's why I'm always talking about them. I'll come on podcast because I know I don't take it as an ego thing. I take it like I just gave you the stock, you relied on me, and now you lost money. That's my responsibility.

But, I always come back to family for me. When you see things like this, it makes me even want to work harder and do more for not just my family but for families out there. But, as far as my daughter and the Crohn's Disease and things like that, we're learning about this now. This is brand new. I know very little because I have

friends that I have it. Now I'm starting to realize a lot of other people have it and they're reaching out to me, talking to me and offering a ton of support, which is fantastic. For me, of course as a parent, you wish it'd happen to you instead of your daughter, and she's seven, so it's gonna be really tough to deal with early on with her because it's just so new and she doesn't know.

But, one of the things I did today was really cool. Right before I came here, I went to her school and they all wrote cards for her. Going in, like the whole entire school was like, "Hey, is she okay" as I walked in. It was really cool. And then, when I went in to her class, I did a FaceTime video with her from the hospital with all of the ... her entire class and it was really cool. She was just so happy and she was showing the IV and this and that. They were all laughing and giggling, having fun and cool like that. But, it was pretty awesome.

But, for any of you out there that are familiar with this or have this and want to share something like that, feel free to email me frank@curzioresearch.com. Again, I'm willing to learn. I'm willing to listen. I'd really appreciate that because I feel like I'm always trying to be the one trying to educate and make you smarter investors and do educational segments and stuff like that all the time, but this is one time where I need to get educated. So, I would love to hear your stories.

People have had this for a long time and look, it's not the end of the world. Just something that's gonna make her uncomfortable and things like that, but learn about this whole process and everything. That's one thing I love about this network because I've been trying to help you guys for a long time. Sometimes you guys send me emails and things about my personal stories. You're family. I tell you everything, even though my wife gets pissed off at that sometimes. But, that's just how I feel since I've been doing this podcast from day one, which is basically over ten years now. You guys have been following me, listening to personal stories and all that stuff. So, yeah, I just wanted to give you guys a up-to-date report, and I will continue to update you again because I consider you guys family.

Now, this is an investment podcast. So, I've got a great interview for you. It's with Andrew Horowitz. Andrew Horowitz, host of Disciplined Investor podcast. He's the founder and CEO of Horowitz and Company. Hey look, Andrew is the perfect guy to have on during these markets because there's technical levels right now. They're being hit. Pretty close to breaking through to a 200 [inaudible 00:10:24] moving average. You want to know what that

is, again, a lot of you probably know what it is. It's an important moving average. It broke through to 1,500 last time the market corrected, but as soon as it got to 200, the market bounced back.

This time, it feels a little different. To me and him, if it breaks that, it means the market could come down a little more. So, you want to know what to do. Is that a buying opportunity? Is that the time to short market? You say, well, you should have insurance to begin with. We're talking about technical analysis here. Not fundamental. A lot of times you're shorter after you break through these things because it takes another level down. So, Andrew's going to be fantastic. He's going to tell you about sectors, different stocks he's looking at, not just to buy but also to short. We're gonna break down a lot of interesting trends.

So, I'm fortunate enough with this podcast where I've been in this business for 20 years. We have great contacts and I usually get my guests on. I call them last minute. When I said last minute, pretty much within two days, three days before I tape, where you'll see a lot of podcasts that I go on, they try to book me two months in advance, three months in advance. They have a whole schedule and plug yourself in the schedule. For me, it doesn't make sense to have a technical analyst on when it's a value fundamental market.

If we have something going on with the financials, I like to have Chris Mayer on who's a foreign banker. He's a great analyst. Now, if you're seeing a lot of things going on with gold where we're seeing right now, the Dow's coming down. We're seeing gold get a little short. You'll see me put on [inaudible], Doug Casey. This way I'm making up-to-date relevant with this podcast, not just throw someone in here that has nothing to do with our industry, that really has no news on it. It's not really gonna help you out. So, I try to make it as current as possible. You know what, let's get to our interview right now.

Andrew Horowitz, thanks so much for coming back on my podcast.

Andrew Horowitz: Well, thanks for inviting me. I was wondering if you would have me again after the last time when I told you that my podcast was better than yours.

Frank Curzio: Oh, I don't know. I don't know which one's better. I don't know. We'll let my audience decide.

Andrew Horowitz: Not.

Frank Curzio: But we've been doing this cast, if you listen to podcast for the first

time, we've got a lot of new listeners in every week, but Andrew and I have been doing this for a long time. We're really close friends. We discovered a platform a long time ago when nobody really was crazy about it especially on the financial thing. And now, it's starting to get really popular. So it's really cool because the more people listen to podcasts, the more people doing I mean the financial industry. It's not like competition. I mean you can listen to them any time you want any day you want, but it's really cool. So, let's get to some fun stuff because I'm getting a lot of questions and the market is coming down. People are worried and they compare it to the credit crisis. We saw this happen when a correction not long ago. When it feel ten percent, came back right away.

To me, it feels different and I understand the questions I'm getting. What are you seeing as a technical analyst because we're hearing things like we talk about the soft line, like fundamental backdrop is strong. Earnings growth is steady. The economy's growing. We're hearing that but when everybody talks about that, it feels like it's already factored in. What are they missing here?

Andrew Horowitz: Yeah, that's a great question because any time you tune in to various television shows or some radio shows, it's the same thing over and over and over. The mantra, the talking points are the same. As you said, you've got a good fundamental backdrop where you have this economy that's growing and you have GDP that just came out at 2.9 percent, revised for the fourth quarter. You have a business-friendly environment with lower or less regulations. You have these tax cuts that are gonna really do a lot of good for corporations and their earnings. We're looking for double-digit earnings growth of the next several quarters from year over year and all these great things, right? And stocks and price correctly.

However, they're saying all of that, meanwhile stuff is crumbling around them. And, you have to wonder what's going on. So, here's a few things. So, I think the first thing that people have to pay attention to is the change in the dynamic of global trade. Now, we could argue back and forth and you and I have on whether tariffs are good or bad. The problem is that however you want to slice it, it changes the dynamic of what's going on with global trade. Now, eventually, it could turn out being very good for the US. But, it's a change from the status quo of what we know.

Companies are not quite sure if there's gonna be retaliation and what it's gonna mean. Or, if it's gonna be just smooth sailing and they're gonna be able to have the ability to sell to places that they weren't. Maybe some of the limitations are lifted, like what

happened in South Korea on our automobiles. So, that stymies the potential for CapX. That stymies the potential for the [inaudible 00:14:57] of what that forward and outlook is for companies. So, the change is just a change.

Then, you have an issue with the Fed. The Fed raised rates. They're talking about possibly two to three more rate hikes this year and moving up rates through 2019. They're also slowing down and continuing with a lower amount of bond purchases through their quantitative easing program. And, what happens here is that when you have rates rising, you have to look at how valuations are calculated for stocks. How valuations are calculated for bonds, what the comparison is and the benefit or detraction for each.

So, when you see interest rates going up, it causes a lot of things to happen. It causes borrowing cost to go up. It potentially limits the amount that you can actually borrow. And, when people are doing discount models and using a risk-free factor in determining what the value of a stock is and then looking it out over the future and saying, "Well, we put an X multiple on that", what happens is as rates go higher, that multiple comes down. So now we have this revaluation that could be going on by analysts and looking at stocks and saying, "Okay, well, even though there is a better earnings environment, we're gonna see possibly a slow down in the economy and the potential for higher rates. We're gonna have to adjust our outlook."

Then, you have a tremendous amount of uncertainty. Markets don't like uncertainty. So, you have a tremendous amount of uncertainty due to headline risks, and a lot of it coming out of Washington, whether it's maybe a shuffle in the White House, a new discussion of tariffs, whether it's a direct slam like we saw just today on Amazon where they were going right after Amazon, whether it's for real reasons or political reasons, it doesn't matter. But directly singling out a stock or an industry.

Then, we have this dollar situation, dollar plunge. I mean it did rise today after the GDP came out, but this plunge is questionable. Why if we have a strong economy and why if things are looking pretty good and rates are going up is the dollar dropping. I think it has a lot to do with our lack in the US of fiscal discipline after we just passed that 1.3 trillion dollar bill that nobody read.

So, there's a lot of things going on that are making people say, "Wait a minute. Let's just sit and regroup for a second here and figure out what we want to do." So, that's the answer to those questions that you just asked. Then, you have technicals. We've

been sliding through a variety of technical levels, blew through the 50 again. Blew through the 100. Balancing in the S&P 500 on the 200 day. So we went through the 50, went through the 100, now we're just sitting on the 200 and the 200-day moving average usually is considered a pretty good point where institutional and hedge fund managers want to look at, "Well, that's the point that we'll defend and we're going to put our money there on a ... for either a stock or for an NDC.

So, it's happening, you've got sellers that are dumping. You've got buyers that are hitting back, and you're getting all this volatility. Six hundred points up one day, then the people coming in saying, "You know what, I don't want to be involved in this. I'm selling." It drops down. Liquidity is very light due to sharing purchases and shares taken out of the markets. So, all this stuff is kind of coming together and in the end, it changes sentiments. So people are confused on what to do.

Frank Curzio: So let me ask you this, and let's start with the technicals before I get to the fundamentals. With the technicals, you're saying we blew through the 50, by the 100, and we're close to blowing by the 200. Did we blow by the 200 last month when we saw a ten percent correction or did we not blow through that?

Andrew Horowitz: For the S&P 500, we stopped like on a dime.

Frank Curzio: So I would say right now, someone who's not technical analyst, I follow technicals and I think everybody knows so we understand what [inaudible 00:18:55] is. Most people do. When we break through that, that would be a lot different from when we saw it ... so that's basically ... I would say from a technical level, we're looking at that level very, very seriously, right?

Andrew Horowitz: Yeah.

Frank Curzio: Because it's nice how it didn't break and it came back because we look at the 50, we look at the 100, and I've seen us break the 1500 so many times, and it's usually not a good indicator that there was a buy and a dips. Now, it's gonna be different this time, and I know you don't have a crystal ball, but if we break through that 200, is there a possibility that ... how would you trade this as a technical guy? Would you say, "Okay, now it's time to really go short"?

Andrew Horowitz: Yeah, the problem is ... I just want to pull up a chart here. The problem is that first, we have a 200-day moving average that the slope is on the incline, so that's good. That's a good thing. We're starting to see the S&P 50-day moving average start to roll down a

bit. The 100 is pretty flat. If we roll down past this 50-day moving average, you see a pretty good flush down a few percent, maybe another five percent or so.

That is the line in the sand. That is where that has been protected today again. Every time we got close to that, bounced right back up. It bounces up with a vengeance as a matter of fact. I mean I saw very quickly markets were down a half percent or so today and then all of a sudden they just bounced up about .25 or .3 percent then came right back down and bounced. Right now, the 200 day, which is a very simple technical level, but very important for a lot of people because one thing that happens is there are a lot of strategies that will say, "If we're under the 50-day moving average, we're out, possibly going short. If we're then ..." there's other strategies that say, "Well, if we are under the 100, we're gonna be short. If we're under the 200, we're out for the next six months."

As an example, there's different strategies, but there are those strategies out there so therefore, those that want to be long, those bulls that have the money and control things and the algos know that the 200 is a pretty big number, and if in fact we break that, a lot of people are gonna possibly just bail out and sit on the sidelines for a while. Therefore, you don't have that money coming in until we get a move and possibly on a month close, because we're right in to the month close now, we're in to the quarter close as well, that is sustainable above the 200 because they see that as a level that is very supportive for stocks.

Once you start going below that, now you're starting to talk a different trend that's going on. This bull trend that we've seen for some time, under the 200's, not very healthy, with one caveat. This market has a way, in the last several years, of just defying gravity. We saw that just in February where we did touch the 50-day moving average on the S&P 500, and just ramp right back up. The NASDAQ hit an all-time new high. The Dow Jones and the S&P did not, and they didn't confirm.

But there is a lot of interest in this 200-day moving average, again, and other particular levels, but below that, I don't know if I would short. I would start thinking about slowly but surely possibly looking for shorter term trades to possibly look to buy in to. But, I would be very careful because don't forget about 80 percent of a stock's move can be attributable to the move of the underlying market that it's a part of. So, if the NASDAQ is moving pretty hard, probably the stocks inside the NASDAQ, whether it's big or small or one name or the other are gonna be following that general trend.

Frank Curzio: That's really what we're seeing here, right? I mean we're looking at a market that really would have bounced back up. You made a good point. NASDAQ hit a new high, right, when it came up to February, the pullback in February, the ten percent pullback. So, what was the leader there is you didn't see a lot of stocks really bounce back but you saw the fang names really come back strong, which helped the NASDAQ hit the high. Now you're seeing the leadership of this market, especially in the past few years starting to get crushed. You say well Amazon's there. Now you have the President come out against Amazon. Again, he likes to call out different stocks and whatever, individual companies and some sized industries, but now you're seeing Netflix come down, you're seeing Tesla come down.

You're seeing I mean a lot of these momentous names that you know as well as I do from a fundamental level. I cover this. It's not about fundamentals a lot of times. You say, "Well, that's crazy." It's a lot about momentum. It's about growth, but when I see the level that a Facebook has come down, and you have to take in to account they could have to have a change in business model, maybe. Right, maybe. But, if you look at a company where they're expected to grow earnings by 45 percent next year and they're trading at 17 times for earnings compared to consumer Staples only trading at 20 times earnings and not growing earnings at all.

I mean when does it come to the point from a fundamental level you say "Wow, this is overdone"? And again, maybe it's not about fundamentals, but when you look at that from a long term holder, would you say, you know, "If we go down a little bit further, you're gonna see lots of buying opportunities" or you think it's "Hey, this overall market here really looks toppy because it's been growing and earnings have been supporting that", but it's just interesting.

I don't know if I'm trying to ask you a question or I'm saying it myself. For me, I'm trying to figure out what's the next step over the next six months. Is it gonna be another comeback but we've fallen to a level where there's a lot of interesting names that people could get in to and it seems like once they get to those levels that they're waiting for, they're like, "Whoa, whoa, I'm not gonna touch Facebook now because it's down." So, it's kind of crazy. So, I want to get your sentiment out of that if you invest short term but the next six months, what would be your best guess? I know you don't have the crystal ball, but to me, it's ...

Andrew Horowitz: I think that ...

Frank Curzio: Yeah.

Andrew Horowitz: Yeah, I think that first of all, that 200-day moving average that I told you, and since it's on the incline and we touched it on I believe it was February 9th that we touched it and bounced off, the number you have to look at, a SPY is 253-and-a-quarter; 253-and-a-quarter is like beyond that we start seeing a real flush down. So that was the ... a bit below the flush low of the February market decline. That's the number you need to be looking at. That's below the 200-day moving average and it's just below and in to a whole area that we call it on some of the analytics that we look at, as a level that it will see a flush. Now, if we see a flush and a big volume move that a company ... everybody is kind of just throwing things out, then that could be a signal to buy.

The second point is that we have to question whether or not the fundamentals that we're seeing right now are aligned with technicals. Don't forget, if you're a fundamental investor, that's all you want to look at. If you're a technical investor, that's all you want to look at. But, when we blend the two of them, we say "Okay, we know things look okay but something is not right." Now, it could be a hundred different things, but something is not right. Is it that the market we know as a forward looking mechanism and we can see ... somebody's seeing something in the future, and six months is a good time period, something in the future that's just not right, that maybe we're gonna peak out on earnings. Maybe we're gonna peak out on the economy. Maybe there's something else brewing somewhere else. Maybe with the mid-term elections. I don't know, something. And, markets are sniffing this out and that's why we're seeing this kind of move, regardless of the fundamentals. And who knows, maybe with what all goes on, the fundamentals will then follow because of it. Follow what I'm saying? So ...

Frank Curzio: Yeah.

Andrew Horowitz: You're kind of in a bit of a jam right here but I would not try to be a hero at this point.

Frank Curzio: Yeah, no, I definitely agree with that. It is interesting though because even from the fundamental view, you see interest rates going up. Guys, just to give you a little history here, the market on average, dating back to I think it's 1952, '54 when the S&P 500 became 500 companies, trades were on a 15.5 times earnings annually. That's the average multiple. However, there's so many different factors because the average interest rate, if I had to guess, is around, and it's a pretty good guess, around 2.2,

2.5 percent on fair funds rate. Where we've seen interest rates go higher or lower, again, this is around an average over that timeframe.

So, we're trading at 17 times earnings, and you could argue that 18, 19 times earnings is not expensive if we're growing, right, because you have to throw in the growth factor. We're expecting to see double digit earnings growth. So, when you're looking at double digit earnings growth, and you're looking at the PE and throwing in interest rates as well, to me, it still seems like the market is not too expensive, which could be meaningless if it's technicals or whatever. It could come down. But, it is kind of interesting. The re-rating of where that multiple is suppose to be is very interesting when you think about it because if we think we're gonna get above two-and-a-half percent, maybe we do, then that multiple should come that you're probably gonna see earnings.

They're probably more inflated now than they've ever been. Again, we had the tax reforms, so a lot of this is, not artificial, but it was just thrown in there, now they're gonna save more money, fine. That's great. But, it's interesting on the debt side too. As interest rates go higher, we carry much more debt than we've ever had in the history of this country.

Andrew Horowitz: Uh-huh (affirmative). Right.

Frank Curzio: But, when you throw all these things in there, I just wanted to show you guys what we're thinking as analysts and just talking about technicals, there's a million things that come in and we try to get an educated guess and say, "Hey, is this a buying opportunity or not". This is one time that I've been very aggressive saying, "Buy this. Buy this. Buy this", where this time I'm kind of on the fence where it just feels like this might not be a buyer dip opportunity.

Andrew Horowitz: I think that if the fundamentals and that whole thing that we started this conversation off with doesn't change much if there is still good growth in the economics domestically and internationally, and the earnings story doesn't change much in all that. And, if we see a major plunge for some reason, I do think there is the opportunity to start dipping your toe in and start picking up positions there.

Now, it may not play out right away and you may get a little bit burnt on the way as it's moving around and it's so volatile, but at the same time, unless we do see a major change in the things that we started with in terms of the economy, in terms of the international situation, in terms of if a trade war does develop or

not, or maybe go to war somewhere or not, or there's something that's going on or interest rates spike, there is, I think, a lot of opportunity, yes, to find some great value that would possibly be opportunistic to invest in that you can hold for a while.

On the other hand, when we're in the middle of the range, anything can happen. That's where your trouble, and that's where all of a sudden you're gonna start buying down and buying down and buying down, so then you're gonna get blown out and then the next day it turns around on you. So, you've got to be careful that the price that you're buying, where the market is, when you see the volatility where it's whipping around, up a half-percent, down a half-percent, or you see that one day it's up ... the Dow Jones is up 650 points and then the next day it's up 200, and then all of a sudden it closes down 350, something's not right. You know? That's not normal, is it Frank?

Frank Curzio: Well, let's get to it. I mean does this have to do with algorithms, right? Because we see algorithm trading where you look at over the past ten years it's growing enormously, enormously. You don't have like two or three of the top funds, you know, high frequency trading algorithms. Again, these guys are in or out of stuff, billions of dollars being filtered in and out within sometimes seconds and minutes, which is crazy. But, now there's so many more hedge funds using these strategies and they're not exactly the same across the board, but they may have a lot of factors within those algorithms when they see things. A lot of that's technical.

I've noticed even in small caps where say the company reports earnings and it'll open up down three or four percent, and it'll trade there for the first hour and it'll finish down 15 percent. And same thing when a stock opens up three or four percent, it'll just keep climbing. It'll be up 20 percent by the end of the day. And, you look and you say, "Well, is that short covering" and I'm not [inaudible 00:29:59] huge shorts. It doesn't have a huge short position there.

So, when I see these things, how much does this factor in because we're in an environment where we haven't really seen major pullbacks, these major corrections all the time, but right now, where we are and how big the market is and how much we have in growth and how big algorithm is trading, this is kind of the first time we're seeing a lot of this with [inaudible 00:30:19] does a lot have to do with that?

Andrew Horowitz: Yeah. Oh yeah, it has to do with a lack of liquidity in the markets, a lot more players playing it, and then on top of it, what you have is

that when these algos are set to the buy mode, just think of it as a switch, right? The algos are three ways to play. They're buy, they're neutral, they're selling. When the switch is flipped to buy, what we have is pretty much last year. Every time there's a 20-bases point move in the market, they buy it. They keep it up. They just slowly funnel money in. That's what happened all through 2017. Money was just funneling in, funneling in, funneling in from a variety of places, not just the algos but institutions and entities like municipalities and pension plans and all of that. So, all of this was happening.

This year, they're either right now in the neutral stance where they're not actively buying or there are a lot that are in the sell mode where it's "Hey, any rally, let's sell it. Any rally, just sell it." So, right now, think of it, and very simply, as you're thinking about what's happening with markets is the algos or the buy mode or whatever you want to call it, is right now pretty much in the sell mode. And, how long that lasts, you've got to think about it. Well, how long did it last that people are putting money in to the market, increasing their leverage, increasing their positions, funneling money in, how long does it take to get some of that out to bring that stock allocation down a bit?

Now, it could happen very quickly like we see these giant drops down in just a couple of days, but there's a lot of shares outstanding that people own that maybe they were holding on to for a long time, and they're like, "You know what, maybe we'll start selling some of this." And, you have the algos doing the same, and all of a sudden you start seeing this incredible amount of volatility. And again, when you see the rallies being sold like we've been seeing and the range of movement on the market's so wide, it is these algos that's a big part of it.

You've got to be very careful not to get stuck with them, you know, right in the middle of them. Don't get too excited. Don't get too excited when it goes up and don't get too upset when it goes down. Just kind of try to see where the bigger trend is.

Frank Curzio: Cool. And, I'm glad we went over that segment guys. We have to fund stuff and start fixing things like that. It's just … I wanted Andrew to come on and I wanted you to hear what we think when we see a market like this, what we're thinking about. So, for me, it's analyzing so many different factors, saying, "Okay, where do we think the market's going, and what sectors will benefit and then not only what sectors will benefit, what stocks, individual stocks will benefit the most. I mean there's a lot that goes in to our analysis. It's not like a coin flip.

And let me say this really quick, once again, we're talking to Andrew Horowitz, host of The Disciplined Investor podcast, which like you said earlier, is the second-best financial podcast in the world.

Andrew Horowitz: Uh-huh (affirmative). Uh-huh (affirmative). Yeah.

Frank Curzio: Founder of Horowitz and Company, which is business management. I want to get to this real quick because I've got some more questions, but you actually have a cool product that's gaining traction called Envestology, that we talk about all the time. The last two times I had you on, I felt bad that I didn't give you a chance to pitch it, but I like it so much I wanted to give you chance to ... no, seriously, I wanted to see if ... because I love ... I only endorse things that I like and that I think people could make money from. This is one of the things that I didn't mention last time. I was like, "I've got to mention this." So, go for it.

Andrew Horowitz: Yeah. This is really cool actually because what we did was we took the best of robo investing, which I'm not a big fan of, but we took some of the components like the backend. That's some cool stuff they've got going on there. The technology that actually drives and runs some of the robo investing process with things like questionnaires that can help you and understand a bit about your risk tolerance and then model a portfolio. We took that kind of and did it in a way that we created as our own. So, there's nothing out of the box here. Everything's been created. All these things we manage. We call it advisor crafted technology enhanced.

Basically, you go over to investology.com. There's a couple of links there. It's E-N-V-E-S-T-O-L-O-G-Y, Envestology, and you can click on there and just set up a free account and just start answering a bunch of questions. All of a sudden, a portfolio appears and starts filling up with various sectors that we have allocated according to risk factors. And then, from there, it's really easy just to open up an account and fund your account. And then, you can monitor it. We monitor in the back end. We do rebalancing on a systematic basis. So, you've got no load and commission free ETFs. They're in the portfolio.

We cover all the areas. This is not a trading portfolio. This is more of an asset allocation model. But really cool stuff for the beginner investor because we start out with a $10,000 minimum. So, it's pretty cool. I would definitely recommend checking it out if you haven't checked it out.

Frank Curzio: Now, in certain ETFs and sectors and things like that, where are you seeing bargains? I know we talked about value of a growth and stuff like that, which growth has been in favor for most of the time over the past like seven years you could argue, with a few spots, but you're starting to see value really come back in to play, aren't you?

Andrew Horowitz: I am. I mean I think, and if nothing else, the last two weeks has shown some of that. But value, you know, what we're looking at there is that if in fact we are entering in to a period where there is the potential for a revaluation of the earnings model, some of these go-go stocks like we're seeing with Amazon and Netflix and whoever else you want to pick, are starting to see a lot of leakage right now, and those stocks are the most vulnerable, in my opinion at least, to some of the issues that you have with regard to a market that has a change in sentiment. And therefore, we're kind of slightly over weighing the value side of things. We're not going directly in to value. We still have both sides, but we're picking up more on the value side and we want to ... even though we have a range of very conservative to aggressive in the genre of these models, even the most aggressive has backed off a little bit right now because of what we're seeing.

So, the other thing is that you still probably want to be in to some of the emerging markets right now to a degree. We don't have a real big play in any one sector per se. We take more of a broad based approach, but like bonds, we do have bonds in the portfolio, but they're really short. We have alternative assets whereas we have managers that are actually going out and picking up things like the credit spread type of strategy or macro strategy or a news-related strategy. So, that's inside there as well. So it's a whole host of things that help to balance the portfolio entirely.

Frank Curzio: And what about individual stuff because I know you've come on and you said [inaudible], you nailed ... you had a great pick with that one and now you talk a little bit about steel as well. Is there individual names that you like or even individuals that you short in, because I know you're not too crazy about big box retails after the recent run up as well?

Andrew Horowitz: Yeah, I mean the big box retail, I think that whole area has been very concerning for some time and had a gigantic run, so we've been short. I'll tell you just a couple of things. We've been short Macy's for a while. We closed that position actually today when I saw that in the face of the last couple of days it was bouncing off it's 50-day moving average, started getting in to a zone that I said, "You know what, we'll wait to re-short it, but I will be actively

re-shorting that position", picked up a small position, a startup position of US Steel.

On a technical basis, there's a head and shoulder pattern that is developing, which is usually negative. However, unless you're in the development of the pattern. So therefore, if we see that this is a right shoulder and we do see a move up, and then eventually a roll down, there is the potential for it to move to about $40 from about 33-and-a-half. Thirty dollars and 50 cents is kind of like "Alright, I'm done with this". That's where we go away from this.

And, one of the things that's interesting is that after the tariffs were put on or taken off or however you want to look at it, with steel and aluminum, this thing had a nice run and then all of a sudden there was kind of a big letdown. But, I think that US Steel, if in fact we do see that there's going to be some infrastructure spending, if, if we see that there's gonna be a continuation of the economy doing okay, if, I think US Steel has an opportunity. So, we're talking about, you know, 15, 18 percent upside on that. [inaudible] I mentioned. He's the editor, [inaudible]. I like [inaudible] as one pick, dropped down pretty much from about I think it was 58 to about 45. We like that. We originally picked it at 16, sold it, and now just bought it back.

Cara Therapeutics, which is a company that does non-opioid painkillers. That's some of them based also on cannabis, but they're really working on inhibitors to your pain senses, if you will. They're working on inhibitors so that you don't have to get on the opioids and there's a big thing against opioids right now. Credit Suisse, a European bank. European banks look terrible, just absolutely terrible.

Frank Curzio: Talk about that for a minute because I think that's a big point maybe we could finish off with this because when we're looking at tariffs and everyone has different opinions on tariffs, for me, I broke it down where 98 percent of the stuff that you're reading doesn't really understand it where ... and I had Steve Koomar, a brilliant guy came on last week and explain it, where they evaluate the taxes they charge. We're getting charged by everybody, so who's complaining is ... the people that complain the most, everyone's worried about a trade war because we're the easiest country to trade in, right, it's basically free, are the European Union, right? Well, I mean the EU is complaining. That's one area, and then you have China. Why? Because they have the biggest by far surpluses in the world of 300-plus billion dollar, huge, huge surpluses.

And now, with all this trade stuff going on and people worried, we're so worried in the US, it's interesting to see, because I don't know if you guys saw Deutsche Bank, but I mean it's collapsing right now. I mean these guys don't want to have a trade war where it is gonna significantly crush them much more than it crushes us. I think it's more talk now and I don't think it's that big of a deal. But, it is interesting to see how a lot of those European banks are really starting to get crushed now.

Andrew Horowitz: Yeah, I mean we picked up Credit Suisse on a couple of different reasons; concern about the European banks and the potential for the ECB to start running off and slowing down on their bond purchases, which has basically been holding all these banks up that have a lot of problems. These banks also, by the way, are notoriously bad actors, notoriously. Credit Suisse recently was part of this thing where they had probably, I don't know how much of a lawsuit was.

They had this one fund that was short volatility that blew up on them back in February. There's probably gonna be a lot of lawsuits we figure, class action lawsuits, and there's gonna be some losses. They're saying, "Ah, we're not gonna lose anything." That's not what we understand. We saw that there was actually a piece that they lost on this that was pretty significant. So, on that end, the potential for some lawsuits and add to that some of the weakness we're seeing in the European banks, I think that this is an interesting play to look at on the banking side, to be on the short side of it.

Frank Curzio: It's really cool because I love having you on because we go in like so many different areas, talk about so many different markets. And guys, if you get a little confused, listen to it again. I mean it's very easy to listen to and hear the points. Whether you agree with them or not, it's not so much "Whoa, you've got to agree with everything, what Andrew says and what Frank says", but putting those ideas and learning and just listening to this certain amount of people and just having the different opinions from yours is always a good thing. So, with us, we're just trying to figure things out. There's a lot of moving parts right now and we want to see where the next move in the market's gonna be because right now it is at key levels, which we should [inaudible 00:41:44], right?

Andrew Horowitz: Yep. And, I think, like I said, if anything you take away from this discussion, it's that it's not time to be a hero. It's not time to lever up. I mean it may become time, but it's just not there yet. You want to see things settle out a little bit. You know, you don't know ...

Frank Curzio: Sentiment's still high. Sentiment is like extremely high.

Andrew Horowitz: Sentiment is ... yeah, sentiment is high. Yeah, but that's also a problem because people think they're invincible. A lot of people that have that high sentiment, you know what, though, Frank, they've never been through a downturn.

Frank Curzio: No, but that adds to your thesis too, right?

Andrew Horowitz: Yeah.

Frank Curzio: Because you use it as a contrarian indicator. You usually like to see everyone hate the market or right now, people are still kind of like, you know, that sentiment's still high where they're not really worried right now.

Andrew Horowitz: Right. You can't find anybody on TV that's negative, but that's standard. But, at the same time, I think that you have to realize that it's gonna take a lot after nine years of learning that you buy every dip and you make money on it, it's gonna take a lot to spook people out, but when they do, it's gonna get ugly. You want to wait for that ugly. The old blood in the streets.

When you are so panicked that you don't want to buy stocks under any circumstance, I'm not talking about nervous, I'm talking about like freaking out panicked, sweating, not sleeping, not eating, which none of those things seem to, unfortunately, affect me, especially the eating part. I could be out of my mind, I'm like, "Give me a sandwich. I'll feel better."

But, truthfully, seriously, you want to be to the point where things are looking so bad and people come up to you and go, "Oh my god, what am I gonna do?" When people start talking about this, they start freaking out, "I'm out of the market. I'm never getting back in", that's when you hit it. That's when maybe it's time to be a hero at that point and hold on really tight. Until then, we're caught in the middle of something that's going on here that, you know, if you want to build small positions and things that are really strong and solid, that's fine. But, trying to grab a falling knife or trying to be a hero in this by levering up, I mean just can be very disastrous.

Frank Curzio: That definitely makes sense. And speaking of ENY, I want to thank you for coming on to this podcast because it was late notice, which I explained in the beginning of why, for my personal reasons, but you did say I could do it at 2 p.m. because you had a lunch, and you told me what you did for lunch, because we're doing this around 2:30, Indian buffet.

Andrew Horowitz: Indian buffet, delicious.

Frank Curzio: Oh my god. All right. I'm glad you mute your microphone when you're not talking. That's all I'm saying.

Andrew Horowitz: Oh, yeah. You know, my son always says that when he goes to Indian buffets, he needs a two-hour nap afterwards.

Frank Curzio: Well, either way, bud, I really appreciate you coming on on short notice.

Andrew Horowitz: Hey, my pleasure and best to your ... hey, listen, best to your family. Take care of things and I'm here for you. I look forward to seeing you soon. Talk soon.

Frank Curzio: All right, great stuff from Andrew. Like I said, I always like to have guests on that are timely. This one because I told you at the opening I've been in and out of the hospital and stuff like that, but Andrew and I have this long ... it's not even a written agreement, it's just that nothing but we just ... this is just the way we actually do podcasts for so long, that if he ever needs me last minute or I need him last minute, we automatically go on, and now was the perfect market for him to come on.

It's nice to go to someone that you can rely on and a friend and be like hey, you know what, not only do I need you for my investors and stuff like that, but I kind of need you for me because it's been crazy and I haven't really had the chance to talk to anybody, do anything business wise the past couple of days. Now everything is great. My daughter should be coming home tomorrow because everything was good today and they say she should be coming home tomorrow, which is really good.

I don't want to end this on a sour note here. It's pretty cool. Again, everybody has problems a lot worse than this. It's something that we deal with. It's gonna make us stronger and things like that. But again, I wanted to share it with you because there's also something else important. Kansas Jayhawks making the Final Four, which I didn't have. Updating you guys on that, where they're gonna play Villanova.

Look, I know you guys are following this last question about the Final Four, and I'll close this really quick and we'll go back to educational segments going forward. But, KU-Villanova, man, and KU making it this far is incredible. I just thought Duke was a much better team. It's amazing how it's just a shot that hit the rim five times at the buzzer falls out, how different you look at the game

afterwards, because now you're looking at "Wow, Duke wasn't that good and they made so many mistakes", and if it fell, you would have talked about all the mistakes Kansas made. But, I just think that you have Newman, that all ... I mean incredible level right now, which he was suppose to be playing at this level for the last two years when he was at Mississippi State. He transferred over to Kansas, now he's incredible. Best player in the tournament by far right now.

But, Villanova does not have any weaknesses. I mean they shot terrible last game, one of their worst shooting performances and they still won by 11 against a great Texas Tech team. Texas Tech didn't play that good either. It's gonna take a lot for KU to beat Villanova. They can, of course. I want them too. They're my favorite team in the world. It's gonna be great. But, Villanova really, I mean they have no weaknesses. They have six guys that are scoring, averaging ten points a game, very diverse. They hit threes like crazy and they also have an inside game. They play pretty good defense. One of the high scoring teams. I think Kansas can keep up with them with points, it's just, you know, they're not the best defensive team, and I see 'em give up a lot of threes. So, we're gonna need some help with Villanova.

On the other side, Loyola Chicago against Michigan. Though Chicago has been amazing, with Michigan and Wagoner, I mean awesome. You didn't know what Michigan was gonna do because they really wasn't that good this year, won the conference tournament, now in the Final Four against a team that I think they're gonna beat. Not taking anything away against Loyola of Chicago. I just think they don't match up well to Michigan. I can tell you everyone in the world is picking either Villanova, and some people are finally picking Kansas, which is interesting. No one's picking Michigan at all, and that's gonna be a motivational factor because I think Michigan could match up to Villanova pretty good, and also Kansas. That's not gonna be an easy win for any of those teams, even though that side is obviously weaker with Loyola. But, it's a cool Final Four after it's all said and done. You have an 11th seed, which is a surprise, but two one seeds. What was Michigan, a three seed, but they're conference champion. So, not too much of a surprise. Just really early on a lot of teams lost.

It should be interesting. But, Villanova by far is the best team, and you're gonna need help from Villanova in order to beat them. They have to play a terrible game or something's gotta go wrong or Jay Rad has to make a terrible coaching mistake, but it should be very interesting Saturday. And, I appreciate all questions I get about the

Final Four.

One last note here guys, we're changing the schedule, not big, but just a little bit of the podcasts that I do. So this one on Frankly Speaking, so we have Wall Street Unplugged, instead of publishing it on Wednesday night, because sometimes it goes out six, seven, eight, depending on whatever, we want to have this on a set schedule, so we're just gonna publish it at 6 a.m. Thursday morning. So this way, you can listen to it on your commute. This way we know we can publish it no matter what; 6 a.m. is very easy because sometimes publishing is rushed on Wednesday because there's a lot of things on, a lot goes in to publishing these podcasts.

And also, for Frankly Speaking, instead of doing it on Friday, we're gonna start doing it ... it's gonna be available on Monday morning at 6 a.m. So I'll make sure I do one on Friday and also on Monday, so I'll do an extra one for you guys, this way no one's confused.

I'll let everybody know, but that's gonna be our schedule because you want to have a set schedule because we just hired a podcast manager and we're really gonna try to scale the podcast, get it out to more people, and really start marketing this thing, and just trying to help a lot of investors out there, have educational segments, getting the best guys out there, interviewing all over the world on there in front of them, that they can listen to for 20 or 30 minutes without being interrupted a hundred times when they do these interviews on TV, which is terrible. The anchors just, you know, they have a great guest on for two minutes and they talk for a minute-and-a-half. We don't want to hear from you. We hear from you the whole entire segment that you're doing, whatever it is, whatever show it is. You guys know what financial program I'm talking about.

There's a chance for you to listen to really great guest 20, 30 minutes, interesting interviews. I think it's pretty cool because my interview with Andrew today was like if I called him on the phone and talked to him. We're talking about the markets, what do we think is gonna happen, and I always want that to translate in to this is what we're hearing and this is what the experts are hearing that follow the market for over 20 years, and here it is for you absolutely for free. This way we can help you out.

So, that's the point of this podcast, building this network. We're gonna continue to build it. And yeah, we've got to spend a little bit of money, get some professionals in here and want to do this the right way. So, we're keeping things on schedule. That's gonna be a new schedule. Alright, so Thursday morning, 6 a.m. for Wall Street

Unplugged. And, at 6 a.m. Monday morning for Frankly Speaking. It's gonna be a new schedule. Have any questions, comments, feel free to email me at frank@curzioresearch.com. That's frank@curzioresearch.com.

Okay, that's it for me. Thanks so much for listening. I love you guys. I'll see you in seven days. Take care.

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