Frank Curzio's WALL STREET UNPLUGGED

Announcer: 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 July 11th, and I'm Frank Curzio, host of the Wall Street Unplugged podcast, where I break down the headlines and tell you what's really moving these markets.

I took my wife to a pretty amazing concert a little over a week ago. We went to go see Poison along with Cheap Trick. She's a huge fan of Poison, especially Brett Michaels. If you're a millennial listening to this, we have a lot of millennial people listen to the podcast, it's cool. You probably have no idea who they are, Cheap Trick or Poison. The Poison's hit song is Every Rose Has Its Thorn, and the whole beautiful song in the '80s, and all that stuff, and yeah, they have a lot of hits. But I'm sure that's the one you may have heard of, if you're young.

And I have to be honest, they killed it. Brett Michaels was awesome, jumping around the stage, going crazy. Tight jeans on, a cowboy hat, which my wife really loved. I think she was the only woman that liked it, because … And I'm going to be perfectly honest here. I mean, Brett Michaels is around 55 years old, so the average age in the crowd was close to that, with my wife and I, you know, I'm mid 40s, so maybe part of the younger part of that crowd.

But the women who went to this concert, again, just over 50 years old. They didn't look pretty, they were hot. They were sexy, leather pants, hair done up like the '80s, lots of makeup. They were drinking, singing, having a great time. Husbands dressed to impress. It was just really cool to see it, you know. Just everybody hanging out, having fun.

I'll tell you, I know for a fact, every guy that took that wife to that concert was pretty happy the second they got home, because if I had to guess, they definitely got some. Which is awesome, right? At that age, it's always cool. I don't know why, because they're probably thinking of Brett Michaels the whole time, but you know, who cares? It doesn't matter. If you fool around in your old age, you know, that's really cool. It's awesome.

Anyway, it was a great concert. My wife loved me again for a few hours, until the kids woke up the next morning, then I went back to being I think eighth least important member of my family behind my daughters, my dogs, my cat, my snake, my turtle. It's like a zoo in my house.

I'm just kidding. We had a really great time. Lots of fun, it was just nice to get away from the kids and just drink, and just see like that crowd having a really great time, and it was cool.

But there's a reason I'm bringing up this story. Because during the concert, you know, usually they come out, it's awesome, lights everywhere, there's smoke, everything going crazy. Lots of blasting music and then they sing one song and then they come in and they start talking. Usually it's "Hey, guys! It's great to be here." And sometimes they'll mention the wrong city if they're really drunk. Doesn't happen there.

But Brett Michaels, he's like after the first song, he came out, and he's like "Hey, guys, how's it going?" And Brett Michaels was on Celebrity Apprentice when Donald Trump was hosting it. And I watched every episode while he was on, and I really liked him. He was like this down to earth guy, he was really cool. And Brett Michaels actually won it, right? He actually won that celebrity apprentice. So he's a die-hard Trump supporter.

But after singing that first song and then coming out and talking to everybody, he started just telling the crowd, "Hey, look, guys, we're going to have so much fun tonight. We're not going to talk any politics, so just forget about all the craziness we see on TV."

And the crowd started going nuts. They went absolutely nuts. Everyone was clapping, and it didn't matter. Democrats and Republicans getting along. Oh, my God, oh my Goodness. It's crazy. CNN and Fox Business anchors hanging out with each other.

But there's something to be said of that. Because there's a reason why Donald Trump got elected, even though no one in the world, well not in the world, in the United States, voted for him, right? Nobody would tell you that they voted for him, which I just find funny.

But it's actually pretty simple why he got elected. Everybody hates politicians, and Trump was an outsider. Just happened to be Trump an outsider. You put a different name on him, a different face, that person had a good shot at getting elected. You look at all the stories behind it, the statistics, the data analytics, they knew this was the time to put someone outside of that arena to run, and Trump was that big name at the time, and they said "Hey, this could be a good idea, and this guy is probably going to win if he runs."

Again, all the numbers, all the data supported it before anything what you thought about. Kind of amazing.

If you're a Democrat right now, you want to run for office, I'm going to tell you what you should do. You should hire me as your campaign manager, because I'm going to show you exactly what you need to win. In these two steps.

The first one's pretty easy. Just create a new law banning every dog from flying in a cabin of planes. That's first. Seriously, every person that flies who does not travel with a dog hates that. Bringing this up personally, because it happened again to me for the fifth time. I mean, they'll move you around the whole plane instead of the person with the dog. If you're allergic to them, nobody cares. I mean, they'll put you in the bathroom before they'll do anything to the dog or its owner.

That's close to 10 million votes right there. I mean what was separation, was less than, I think was 2.9 million votes

separated Trump and Hillary. I don't know, a little rank there, but seriously.

I mean, my measure would be to just stop the BS. Stop playing politics. Like trying to tie Trump's Supreme Court pick to the Russia investigation. I mean, come on, enough of this Russia thing already. Again, this has to be funded by the Republicans and given to the Democrats, like people really care. I mean, the Russia thing, let it go, let it go. There's got to be other … Listen, every Supreme Court, yeah, you're going to grill them, I know it's a big deal. I understand the implications of that. But there's nothing you can do, just like Obama and … I forget who it was that retired, whoever it was. The same thing happened with the Republicans.

But just find a different way to really maybe attack the person that he's actually going to pick for the Supreme Court, instead of just "Oh, we're just going to tie this to the Russia investigation." Otherwise, this person is going to come in … And we try to impeach Trump, and it goes to the Supreme Court. You know, all this nonsense.

It's just crazy when you're listening to it. And to die-hards on both sides, and it's just insane right now. But I don't think that they understand that people hate this. It's not what we like, it's not what we want to see.

I mean, we want unity. If someone comes up with a good idea, no matter what side you're on, what party you're from. If it's a good idea, it's a good idea. And there's terrible ideas I think the Republicans have come up with. I think the way we're handling terrorists? Absolutely, I think it's great, I think it needs to be done. We could be handling it a little better, you know, not being as arrogant as we are.

But look at tax reform. Are you really going to tell me tax reforms are bad for this country? Everybody's making more money, we're going to have GDP growth, the fastest growth we've seen outside of maybe right after the credit crisis and everything, in how many years? We're seeing money come back in, repatriation, everything. More money's coming back

to the US. We're seeing more equity in homes in history. What is it, like almost $6 trillion in equity in our homes right now, in home values?

No, it's not another housing bubble. We're going to cover that later on. Or think about when you had Hillary and you had Trump onstage, and they were asked in almost every debate, what is the biggest threat to America? What was it? They always said North Korea. And when the President sat down with the President of North Korea, easing tensions, I don't care what side you're on, that's a good thing.

Again, I'm not just planning and picking a few good things here, because there's a lot of bad things out there. But the people want unity. If it's a good idea, they want to be open to it no matter what party it is. You don't want to shut it down. I don't care, it came from the Democrats, it came from the Republicans, we're going to shut it down, even if we're undecided, no matter what. No matter what.

Man, that's the way it is right now. You can't even hang out with friends and talk politics anymore. At least, I can't, because it's a no-win situation that just ends in arguments. If the Democrats would start paying attention to what the people want, instead of what those politicians, or what they want, they really have a short to win a lot of seats in the midterm elections, and possibly the presidency in a couple of years.

I'm just saying. It's interesting to see that this is the second time I've been in a big event like that, when everyone is like "Forget the politics." And everybody just went … That's what people want. Don't you understand that is what people want right now?

Yes, we know Trump can be an idiot. Yes, we know Obama could be an idiot when he was President. But just the hate that's going on right now is just incredible, to the point where man, you can't even watch the news channels anymore. It's nuts. It is absolutely insane. I'm just saying.

Every time I talk politics, I get a ton of emails, so let me have

it. Frank@curzioresearch.com.

I want to move on here, because I have a great guest for you today. His name is Chris MacIntosh. He's been on the show probably about three or four times now, and every time this guy is on, he shares an amazing idea, something that usually does very, very, very well.

He recommended Bitcoin at $400 two years ago. Yes, we know it went from $19,000 to $6,500. We get it. But still, at $400, you're looking at 15 times plus gain. Recommended the US dollar eighteen months. I know, man, you can't recommend the US dollar. The world's going to end. That's bad. No, no, no. He's very well in that trade. And shipping stocks as well. Some of his picks performs great.

And Chris has one of the best track records of any one of my guest hard core analysts here that you're going to hear. It's not going to be so much of entertainment factor, where you get what Jim Cramer's on, and sometimes it's exciting. I mean, this is hard core research. This is something that I love. Something that makes you money, but in this world today, people love entertainment. They want the "Oh, the shipping stocks, you've got to buy them, now." Like Cramer. "I need you in these stocks eDaddy." No. It's not like that.

Kind of like here's why I like it, this is my research, here's how we play it. This is why the market's a disconnect. And you're going to hear some really good ideas in a few minutes. The Chris, the founder of Capitalist Exploits, editor of the Capitalist Exploits blog, co-founder of global private network Seraph. Travels all over the world to find disconnects in the marketplace. Doesn't limit it to anywhere. Could be currencies, stocks, commodities, and anything.

And during this interview, he's going to share some more of his favorites, including one thesis that's pretty original. Not only that, yeah, going to surprise you, he's going to tell you exactly how you can profit from it. Be sure to listen to it. Trust me, it's going to be fantastic.

Later on in the show, an educational segment, I'm going to talk directly to every single person over the age of 55, okay? So if you're over the age of 55, you need to listen to this segment. Especially if you own any newsletters, not just mine. I'm going to share something with you that's going to shock you. I'm not selling it. It's actually going to shock you, but in a good way. And when I tell you this, you're not going to believe me at first, you're going to think I'm absolutely crazy. I'm nuts. I'm smoking something.

When I start going over my research and homework, you're going to fall in love with me. I'm not kidding you. It's going to make you sleep peacefully at night, without any worries about your portfolio ever again.

Man, that was a great tease. I didn't mean for that to be a good tease, but I actually mean that. Please, if you're 55 or over, listen to this segment, because there's something that you're hearing out there that's so terrible. You don't have to worry about it. I'm going to break it down and show you why you never have to worry about this again. At least in our lifetimes.

Anyway, before I get to that segment, I want to bring Chris MacIntosh on. He's about to share his next big idea with us. Here's that interview right now.

Chris MacIntosh, thank you so much for joining us again on the podcast from … Where are you these days?

Chris MacIntosh: I'm in Hobbitville, Frank.

Frank Curzio: Are you …

Chris MacIntosh: In the land of Mordor.

Frank Curzio: Did you actually go into filming, and things like that? Or, I mean, it must have been a big event, where you are.

Chris MacIntosh: Yeah, no. We've kept a home here for a number of years. It's quiet, it's away from a lot of the goings on in the world that you don't necessarily want to have going on, and easily one of the most, if not the most beautiful country I've ever been

to. I've traveled to … I don't know, however 50 … I've lived in seven-odd countries, and this is my little personal paradise. So, yeah, this is where I am, I tend to spend most of my time when I'm not having to be somewhere else, which these days is more often. I'm spending a lot of time researching and just running the fund and the service which I run, which for the most part, I don't need to be traveling as much as I used to, so that's a good thing.

Frank Curzio: No, that is a good thing. And for those of us who haven't seen, which is not me, I saw everything, but all of those who haven't seen the Lord of the Rings … Where exactly are you?

Chris MacIntosh: We're up on the north island, because the south … Actually, most of the film was filmed down on the south island, but we're on the north because it's warmer. It's pretty cold down there, as beautiful as it is. And we're a little beach community here, which is pretty much the destination for anybody retiring. So I've kind of got this weird setup where we have what are new, youngish families trying to make a life, and then a lot of retirees. So, it's nearly deads and newlyweds, I guess.

Frank Curzio: No, that definitely makes sense. Definitely makes sense. And I'm still waiting for the invite there, so whenever you get a chance, buddy. So, yeah. But anyway. Let's move on here, because Chris …

Chris MacIntosh: Come on down.

Frank Curzio: Chris, you're … You're not new to this show, you've been on several times this year, probably have several huge winners for us, and we've been talking probably for about two, two and a half years now. One of your specialties, right, is looking for disconnects in the marketplace. And there's something that you mentioned to me, and you joked around about it, saying you know, I really didn't invest in it, like I think it was like in $20, $25, whatever it was, $30, and it was Bitcoin, but you still mention it when it was $400, which gives you I think 15 times returns even at this level, even though it's down 60%.

But it was something that you saw that, I take it you didn't

take too seriously at first, and then you thought wow, this really makes sense. And you're someone who covers lots of industries, you'll go anywhere if you find these disconnects in the marketplace, right? So you invested in things like cobalt, palladium, shipping, Japanese banks, the dollar.

So my question to you to start this off, is what are some of the sectors, markets, economies that you're seeing that those disconnects which fits into your style, that we see maybe a little risk and these returns on your investment?

Chris MacIntosh: Right. Well, if there is … Your listeners … I guess, I'm not a specialist in anything. I'm pretty useless at a lot of things. What I tend to look for as Asymmetric, which is two big things, that people tend to forget when they think of Asymmetric or betas, I think purely of something going up in value, and that's not really the way to think about it. There's two aspects to it, and the aspect which I think people should spend more time considering is the inability, or the probability of something going down being very, very low.

And so, we … There's kind of two ways to go about this. I've got my hip trader will typically will look for markets that exhibit that in some shape or form. And I'm more macro oriented, so I look at social factors around the world, I look at behavioral psychology, I look at history and I look at the underlying fundamentals of any given market, and I try and piece all of that together. And then, when I get, and I stick with my trader and team, then I see if any of these setups which are presented to me fit, and try and make sense of them. And where they do, that's typically where we get quite excited, and we start digging deeper.

You know, there's times when you'll come up with some particular sector which looks fascinating, but we can't necessarily get comfortable about it. And so that's kind of a basic framework around how we go about managing things. And as we talk today, and we've got, dare I say it, a really interesting setup. And I hate to use the word … I hate to use the terminology a "perfect storm" really just become bloody

people use it, and it's often for aggrandizing and scaring the living shit out of people, and that's a silly thing to do. It's not the way to manage money.

But that being said, what we've been focused on has been a … I guess we could … A number of things. A reversing of globalism, which we anticipated would begin with a political shift. The fundamentals of the market, Frank, are being pretty shitty, certainly with respect to the sovereignty of markets. And so you ask yourself the question, why have we gotten to the … Why have we gotten to the point of valuations and metrics within the sovereign bond market that we have, which we've never seen in our lifetimes before, and you could easily in 10 years have made the argument that this is an asymmetric bit to be say short the sovereign bond market. And that was a terrible fall, I mean basement. It might have been a lot of things, but it wasn't the right way to go.

And so we keep looking at these things, and one thing that I've realized over the 29 years of being, mucking around in this space is that you often … You need to have a catalyst, you need to have a tipping point. And so we've been looking at these bond markets and trying to anticipate what that catalyst might be. And I'd always felt like it was likely to be political in nature. And the reason, really, for that is if you go back and you look at the sustained coordination of financial and regulatory policy between countries, Alexi made it possible for a couple of events and circumstances, mainly we had coming of the GSC, I guess, we had I guess like almost like a culminating in the union.

And I made this analogy in a board for Centomix. If you think about when the Allies were going to war with Hitler, and the Nazis, it was because they understood that any failure of any one of them endangered all the others. So you had this common united front that was not only reasonable, but it was necessary for survival. When the GSC had been at seven or eight, the similar thinking applied. The failure of the US banking system could quite quickly escalate and cause failures in the British, Japanese, European and Asian banking systems,

and everybody, whether that was actually true or not, they fundamentally thought there was enough risk that that was the case.

And so, political bodies and those in charge at the time, which I guess you could call them the status quo, they were all deemed reliable and trustworthy. And we relied upon them to do the right thing, which they went ahead and they opened trough lines. They bailed out insurance companies and auto makers, and they stick to the nationalized industry and so on and so forth. So while all of that was taking place, the political language and narratives were carefully managed by the politicians and central bankers across the world.

And so that was this environment which actually contained the … Any outflows from the bond market. Now, the largest bond markets are the European, Japanese and the US, but you didn't have an exit valve. And that was largely because of all of this coordination at a political level. Now, fast forward to today, and we're getting some of that written quite a bit on the Bre blog and certainly being focused on a lot of member activity.

But that's not the world we're living in anymore. We've got a rising, what I term [inaudible 00:21:12]. Trump was one of that, Brexit was that, Salvini in Italy is that, and with that, we've seen a fracturing of that coordination, if you will. And so it's our belief that it's impossible to have policy coordination when you don't have political coordination, and we don't anticipate we're going to see. And in fact, we're kind of at the early stages of that, already they're iterating that, while they're not raising in Japan, they're not raising in Europe. And they're not going to be able to raise in Europe, even though Draghi's come out and said that they will. If you look at the target two imbalances and the banking system, that dogma in hunt. I mean, it's not possible for them to actually end QE without having some of the periphery banking systems employed. Italy, Spain.

And so they're sort of stuck in this situation, which is between a rock and a hard place, and that's clearly a divergence

between bond yields. And so that's the sort of crack, if you will, that we have been waiting for and looking for.

And then the other thing that we've been spending a lot of time on, we've been thinking about globalism, and if you kind of think about what globalism has been, it's really just been a de-factoring 14 of very large, low cost labor pools, much of it from Asia. You know, Bangladesh, Cambodia, China. And what that's done is, to a certain extent, it's hit the blue collar workers in Western countries, but importantly, it's also created a lot of deflation.

So when you bring in a massive labor pool that works like a couple of dollars a day, it increases the supply of any good or service. In fact, it explodes, if you think about the cell phones that we use, or the ... Any technological goods. That's been one of the hardest hit. And many other things. Apparel, textiles, all sorts of stuff. And so that's helped create a deflationary environment, which has then just been exacerbated I guess by this bond market, which has been contained with all of the main players actually coordinating policy. And they were all sort of happy and getting along pretty well, and that's clearly not the case anymore.

So that's all well and good. And then you ask yourself the question, okay, well if you've got this market which is essentially, what are we, $63 trillion? Sovereign bond, roughly. Only a trickle of that needs to start coming out, like we're seeing now, for it to be a problem.

So there's a couple of ways you can play this. You can short those markets. That's difficult. When I say it's difficult, you're using futures or you're using options. Options you have a problem with time decay, and futures you have a problem with leverage. Often we'll look at these markets, and we'll again, we'll come back to Asymmetric and say how do we decrease the risk in any one, in any given setup. And sometimes, shorting something, I'm looking for the knock on its base, and I'm on something else is actually a better setup.

And so we've been looking and saying okay, well how is this

likely to manifest itself? And that brings me to something else that we've been working a lot on, which is I'm going to call it resource nationalism. And I guess, if you think … If people pulled up their … Where at CNBC and these financial news reporting agencies at the moment, you'll hear all about Trump, for example, for being a little bit upset about NATO. So we'll take that as a starting point.

And so in 2017, the US accounted for about 51% of NATO's combined GDP, and about 70%, just over 70% of its defense expenditure. So in short, the US contributed more funds to NATO than Germany, France, Italy, Spain, UK and Canada combined, which are all remaining NATO partners. So that's all interesting and one of Trump's bugbies. The thing is, the US is no longer to be relied upon, and Trump has made that pretty clear.

The other thing to consider is that when the EU was created, many of those countries basically subcontracted out their military to a certain extent, that doesn't require a border. Like the whole concept of the EU was not to have borders within the EU, right? And so the military expenditure of all of those countries declined. And it was sort of like "Oh, well Brussels will take care of that." And then Brussels was like "Well, we won't really take care of it, the US will take care of it."

And so you've had decades and decades of I guess a lack of military spending within European nations, and if you look at what's taking place socially, the place is fragmenting. Austria's gone to the right. Italy's moved. Sweden, the right party is in the lead with their elections coming up. Merkel's on edge. I mean, she can't even form a government at the moment. It's very, very fractious.

Anyway, the point is that we're going to have increasing political tensions within Europe. They've already conceded to not letting more migrants cross borders. And I don't know how that works, because it's all done on a voluntary basis, which is bullshit. I mean, what's going to happen is Italy's going to go, "Well, we don't really voluntarily want to have

them in our country, so we'll push them over the border into Austria, and you guys voluntarily look after them."

And Austria will go, "Well, the hell with that. We don't want to voluntarily do anything." And so you're going to … Basically, you're going to have borders going to come back up again. And borders are useless unless you can actually patrol them. And so …

And that's just internally within Europe. But then you've got other pressures from Turkey, which has been threatening Europe, which has been threatening Greece, and basically we're moving into a world which is going to be, we believe, much more security conscious, and I would not at all be surprised to see a military buildup. Certainly from Germany; they've got the most to lose. And we haven't seen it for years. So then it's okay, how do you position for that, and you could go and you could buy military contracts and all that sort of stuff.

The problem with them is they're not particularly cheap, if you look at the ratio, the PE ratio, price to book, price to sell, that kind of nonsense. They're not particularly cheap, so they don't really get me all that excited. But one of the things that I've learned by reviewing history is that the first thing for any country to do, and this is going to be true of Japan, it's going to be true of China. In fact, it's definitely true of China right now, it's even true of the US with respect to the change in nuclear policy being, is that countries need energy security, first and foremost. And that's going to be a big issue going forward.

So we are very bullish on energy. But in really a lot of it's all coming down to resources, and not all resources are made the same. Nevertheless, we believe that there's going to be a shift of capital for military buildup, for example. And also, the other really cool thing behind this is that we're coming out of a seven year bear market in resources, so they're cheap. Again, not all are made the same, but very, very cheap. And you know, I talk about energy, you look …

Chris MacIntosh: … Talk about energy. You look at the energy space and we've

had … in Europe in particular has been fascinating. You've had a decreased, for example, just pick your aim. Nuclear, as a starting point. They've been getting rid of all of the nuclear facilities. Germany in particular is by 2020, they're going to get rid of all of them. I think that we're going to start seeing a change. All of that kumbaya, rainbows and unicorns, we're all going to get energy from organic bottled positive thoughts, all that sort of hysteria, I think it's going to go away and we're going to have a catch up.

It's going to be me first, and security of the nation is going to be paramount. I don't know if Germany would turn their reactors back on, but they're certainly going to start looking to have energy security. They can't necessarily rely on the US. In fact, the US is a bad place for them to get energy from anyway, because it's way more expensive. Then, at the moment, they're basically at the behest of France and Russia for much of their energy. Germany's actually, over the last two decades, really, really gone backward in terms of energy security. That's all fine when you're neighbors are getting along with you. It's not so fine when they're not.

We're moving into the stage of trade wars and things of that nature.

Frank Curzio: Chris, I wanted to ask you a question because when you say energy too, because you have an amazing post on your blog and I love reading your stuff and the capitalist exploits because it's always a different opinion, right? It's never the status quo. It's never something that you're going to read every place all over CNBC, but one of the things that you said about oil which relates to this, which I wanted to bring up, is an article you cited. Basically, you cited that despite much higher oil prices over the past year, most companies, and the CEO's have actually come out of major oil companies that are hesitant to spend on new projects to find oil since they're worried that maybe the price could come back down and in turn, that's really going to create shortage in oil, thus making prices rise even more.

When I hear that, first thing that comes to my mind is are we over analyzing this? Is this something that's actually true because usually what happens, we have more prices, more demand, higher prices, there's more demand, but yet it seems like these guys … and you talk about an industry which you know backwards with, these guys don't invest for tomorrow, right? This isn't like technology, things like that. These guys look at ten year plan to the major oil companies and go from there? Is this going to also factor in, because oil prices seem like a good play on what you're saying with everything happening in Europe, then go a lot higher, and then you have higher oil prices, but yet these guys are really refusing to drill? If that's the case, is that one of the ways that you would play this also in a way or was it just more [crosstalk 00:33:07].

Chris MacIntosh: No. In the oil space, these are some basic numbers. We haven't had any exploration basically since 2015. There's been no money spent. None. Zero. Within, if we just talk off shore, off shore still accounts for 30% of global oil supplies. 30%'s a lot, Frank. In that space, something like 80% of the companies don't exist anymore. Just gone away. If you take off shore drillers, if you take off shore oil service companies … things of that nature, which we obviously spent a lot of time of them, very long, but there's been just no money spent. If you're an executive at any of these companies, firstly, you've typically … if you're still around, you've been through bankruptcy. All of the debt holders have become equity holders, and if you were to go out and spend money now, but where are you going to get it?

Some of them are cash, have got cash on their balance sheets, but these guys have been decimated to get a board, to get shareholders on board whether you're going out and being expansionary. It's just a very difficult thing. It's psychologically very hard for people to do that. Even if they did, so few of them left it wouldn't really make all that much of a dent at this point in time anyways. That's a really interesting. Again, we're always looking for asymmetric ways and it's like, it's not really good enough just to say oil's going to do well, oil's going to do bad. It's like, that's fine, but if oil

goes from, say, 75 to 90 … Let's just, or even 100, well, you could go and you could buy an ETF or something but you're not going to make that much money.

Big deal, you make 10, 15%. It's just not really what you're here for. You try and look through and you dig into the whole sector and you see where the asymmetry relies … Again, come back to what I mentioned before which was back to the lowest risk. When in offshore, many of these companies have got very strong balance sheets. They've gone through bankruptcies, so they did … Look, think about it. This is a really capitalist intensive type of business, so when you get a set up where you have this massively capital-intensive type of business and the companies don't have debt, that only, almost only ever happens at the bottom of the cycle when all the debt that used to be there has been wiped out, or should I stay the shareholders, or the debt holders have been wiped out and they've become equity holders.

Even if you're wrong, it's like they're not likely to go anywhere. I could sit down and I could show people some of the metrics before, but you can have oil go from, let's say [inaudible 00:36:21] went from today, from 75 to 60, and most of these things won't move because anybody … First of all, no one's looking at them, and secondly, they're actually making money at current prices. Really just because their [inaudible 00:36:39] has collapsed and the debt stacks imploded so it's all been converted. That paints this picture of this very low risk side of things.

Then, of course, if you have a narrative change in the market and this one where I just mentioned before, I think that we're going to have politically security of energy, security of everything. The first thing any nation needs is a security of its energy supplies. That's going to become a very big factor. China's really been building such a strategy reserves because they don't have their own energy. That's also one of the reasons why they have an alliance, essentially, with Russia, which is very energy rich. You're going to see something in Japan. Everybody made this comeback to uranium. Maybe

we've only made this case that uranium is going to be gone and the Japanese were one of the biggest and they're going to turn their backs on … That's just not the case. It's forget how politically charged energy is.

You cannot have a country without energy. It's that simple. We don't have an economy without energy. You have a country. There's countries in African that's not without energy, but they're not places that you and I would want to hang out in. There's multiple factors which are all coalescing that make energy, and traditional energy. Fossil fuel energy, because the base load power of it is far greater than many of the alternatives, is a place that we want to be. It goes a lot deeper than that. It goes into [inaudible 00:38:18] of the resources and I mentioned … I grew up in Africa and I hate to say but one of the places that I'm incredibly [bearish 00:38:30] on is South Africa. It's very sad what's going on there. It's largely unreported and …

South Africa's 30 years behind most of the other Southern African countries that tried and failed with Marxist Socialist policies. That's interesting because things like platinum, palladium all come from South Africa. 90% of the palladium markers is from South Africa. And palladium's not going away, so … Yeah. It's just not going away. I'm not going to dig into all of palladium but these are the sort of markers that we look at. As I mentioned before, Frank, I'm a sort of generalist so I have to get people on my team that can help in that respect.

One of the things that we started looking at was we needed to find somebody that was an expert in the resource industry that was someone that had gone through financing, that understood the financing world. Someone that was technical and could understand geology and rocks and all that kind of stuff. We brought someone on … I was going to say recently, but shit, it's been about, been over six months that he's been on board. [Jaime Ekeech 00:40:15]. He's there to fare it out and be able to understand specific companies within sectors. I can make a sector call and I can dig around and have my analyst look at stuff and figure that out, but when it comes

to … Resources is a difficult one because it's not just about a balance sheet or an income statement. Cash flow statements and things of that nature. It's much more complex than that.

In some ways I love the commodity space because it's so cyclical, and in other ways I hate it because it's just half the time it's bloody holes in the ground, which mean nothing to me. I knew that I needed to bolster out that side of things. To be honest, I think it's something … and I said this to Jaime when he joined our team. I said, we're going to do this for probably maybe 5, 6 years, depending on what the cycle, how it pans out, but then we're going to shut it down. He's okay with that. The reason we're going to shut it down is because at some point, I want to be short. Yeah.

Frank Curzio: I want to move into this because Chris … Once again, guys, we're talking to Chris MacIntosh, founder of Capitalist Exploits, and you could see how much research, Chris, you put into just a thesis when it comes to Europe Military conflict energy needs and building it down all the way to resources, which is basically left for you to create a brand new product. Like you said, you wanted to hire the right person that looks at geology and everything like that, and understands the financing behind this.

One, I want you to talk about that product, and then two, when it comes to this industry, a lot of people have tried to time it over the past two, three years that have gotten smoked. What makes you think, and you always say so … You said something earlier that's very important, because I've learned my lesson too. Especially when you're trying to buy something that's out of favor, you need the catalyst. Is everything in Europe going to happen to the point where right away where this makes sense to buy now or could it take a little bit longer, and what's a little bit of your thesis behind that, as well as get into your new product that you're launching?

Chris MacIntosh: Yeah. No, you bring up a really good point, Frank. The catalyst I've … I wrote a piece in 2016, which painted a picture of … I called it The Rise of the [Strong Men 00:42:57]. I kind of poked fun at [Duke… 00:43:01] in Philippines and a bunch of other

people. This was before Trump came and I laid out all of the reasons why we were likely to see a … what was taking place in the Philippines manifests itself across the Western World. I remember it because I had a bunch of people come back to me and think I was a complete loon in suggestion that the west was far more gentle or far more sophisticated, if you will. I can't really quite find the right word, but I didn't think it was plausible or likely at all.

In that thesis, this is why Donald Trump's going to win, so why the probability is far greater than anybody anticipated, and here's all the factors and so on and so forth. That was 2016. If we go back and we have a look at the bond market, July 1026 was when [inaudible 00:44:12] the lead topped down. We had about 13 trillion trending negative and the catalyst, the change was political in nature. Brexit was the first little inkling that we had towards that social angst and the change in the zeitgeist. It's not just about Britain.

Again, a lot of this is a construct of socialism and gone too far, and it's a construct of the GFC and how that was handled. I'm not here to argue whether it was good or bad or … I don't care. That's not the point. The point is to make money and to figure out what's going on. People will often say, "You were a proponent of Trump." It was like, "No, I wasn't a proponent of Trump. I was simply saying this is why he's going to win." "Oh, then you're supporting Hillary." I'm like, "Oh, shut up." I don't support any of them. It's just … you got to focus on what is the probability and how does that manifest itself and what are the [inaudible 00:45:21] effects.

The catalyst, we believe, was political in nature. The fundamentals for these markers have been terrible for a long time. If you look at Japan as an example, the fundamentals for the Japanese bond market have been terrible for some long time, and that's been the [window maker 00:45:38]. That is smoked meat. I can't think of any of the major really well known fund managers. If you haven't had a crack at that little boy and lost. The same has been true of the sovereign debt markets for at least a decade now. We believe that the fracture

is political in nature, and we're seeing it now. We're seeing all of that coming through and that's … it just started off as a trickle and now it's becoming a little bit stronger and a little bit stronger.

What we're seeing in Italy is a perfect example. I think the biggest risk lies in Europe because they cannot stop quantitative easing, because they target to imbalances. If they did, they're going to cut off the banking systems or their ability to function. Then, like part of being … If you and I were Italy, part of the whole agreement, if you will, is that whatever kind of looked after by the ECB and the EU. They're all a bit angry about refugees and they're angry about a whole lot of different things. Remember, they swapped … When the EU came in they swapped all of their debt with Euros, which are being appreciated by about 60%. They've got a really rural bloody deal. They're kind of figuring this out and they're trying to get out of the EU. Many of them. There's strong movements across Europe to get out of the EU. It's a very difficult process and it's going to be very chaotic.

That doesn't mean it's not going to happen. As painful as it may be, it's happening. If the EU is, for example, wanted to help much like in the GFC, they wouldn't be raising rates. There'd be ensuring liquidity in Tibet's banking system, they'd be keeping really, really low, and so on and so forth, but they're not. That's putting more, that's putting external pressure on the European markets. We're starting to see that flow of capital come out of the Euro Zone. When one of these things starts cracking, it creates pressures in the others. I know like you've got a lot of listeners who are probably North Americans and it's a popular topic to be short U.S. and saying they have these enormous debt levels and it's all going to turn to custard and so on and so forth.

Our belief is that you're missing looking at the whole forest. And yes, I understand all of the problems in the US. I understands the metrics. Yes, it's a problem, but before that is likely to happen, there's much bigger problems in Europe and

in Japan, for example. When, we believe just sort of started this process, when that causes problems in Euro again, Europe first, the natural knee jerk reaction is for capital to move the US, and now there's a reason for it to happen. You've got yield differential. Why would you own a German bond of negative yields? Why would you own an Italian [BTP 00:49:20] at the lower yields than a US treasury? It makes no freaking sense at all. You're seeing capital shift, because the only reason people want BTPs is because the [inaudible 00:49:31] back stopped by the ECB. You go, what's the ECB back stopped up by? It's kind of like back stopped by the German tax payer.

Now, the Italians are going the hell with the German tax payer. We don't want you guys anymore, and even in Germany they're going the hell with the Italians. We don't really want them anymore. You're already seeing the capital moving. It's just going to accelerate, we believe. That's a sort of tipping point and then how ...

Frank Curzio: Chris, real quick, to your point because I'm asking you this for my knowledge because I'm curious about it too where like you were saying between Germany and Italy, from what I've been researching and feel free to crush me on this because this is right in your field, but their banks needed to get bailed out in Italy and they needed help and Germany basically said no, and the ECB said basically said no, and [inaudible 00:50:23]. For me, isn't that the reason why when things go bad at least you have that secure system where if you're on your own, you didn't? Granted, maybe they shouldn't get bailed out, but the fact that they said no would lead me to believe that Italy will eventually ... What's the point of being in the [inaudible 00:50:40] if something like that's going to happen when you can't have that to rely upon?

Chris MacIntosh: Precisely. The things is Italy's actually figured out that they are the ones in control. It's the old if you old the bank $100 dollars, you got a problem. If you owe the bank $100 million dollars, guess what? The bank has a problem. Italy owes something like 430 ... I think it's 438 billion to Germany.

When you saw the [Slovenian 00:51:12] turn away the migrant boat, the refugee boats, whatever the hell you want to call them … What was that? Three weeks ago? Four weeks ago? Something like that, that was a slap in the face because under the EU regulations they can't really do that. They said no more. We're not having any more people cross our border.

I kind of sat there and watched because the only tool that EU has … because it's the carrot and the stick. Human nature doesn't change. The carrot was, "We're going to provide you access to our markets. We're going to provide you with liquidity in the banking system." That's the biggest one. The liquidity into the banking system. That's also the stick. "If you don't do it, we're going to shut off liquidity back to your banking system." That was the threat that was made back in, I think, it was … When did the Greek start causing trouble? 2015?

Anyways, Italy basically [inaudible 00:52:09] sat there. Guess what? They didn't turn off the liquidity in the banking system, and they're not going to turn off liquidity in the banking system because if they do then Italy, politically, if you and I were [Slovenian 00:52:21] sitting there, we'll go, "Well, look at these." We just turn to our populous and go, "Look at these guys. They didn't look after us so why the hell should be involved at all. We'll just walk away. It's going to be chaotic and it's going to be messy, but you know what? We don't care. We're going to walk away." Italy is, what? The third biggest member union. If Italy leaves, it's like the EU is not at all what it used to be, and they've now just had a default on 438 billion or whatever it is.

Ostensibly, it would be an absolutely … it would be decimating to the EU. It'll be decimating for Italy to leave. They don't want to have that happen and so they try to push and pull, but there's much more pull than push because they need Italy to keep the whole thing going, and Italy's figuring that out. We're going to see more pressure. We're going to see more pressure from member states for the things that they want.

They're going to be breaking more and more laws that have been … that's been the case anyways.

The whole target to set up is when that was first put into place there were all of these metrics that had to be met, and they've all been blown. Long ago. Then they go, "Oh well, we'll change that one and we'll let you stay." It's like a naughty boy and it's like, "Don't hit your sister. If you hit your sister, you're going outside." Then he whacks his sister and it's like, "Oh, don't do that. Next time you knock your sister." Pretty soon, the naughty little shit realizes that he can beat the hell out of his sister every day and you're not going to do anything about it. That's Europe. Where Europe's at.

Frank Curzio: [crosstalk 00:54:16]

Chris MacIntosh: The point is that it's politically fragmenting and it's going to cause security issues. We're going to see resource nationalism. We're coming out of a [bear 00:54:29] marketing commodities. We think that it's one of, if not the best asymmetric way to play that geopolitical environment.

Frank Curzio: Chris, when you decide you have thesis like this, you could tell based on your research I was saying before how you go all in and things like this, but you're creating a new product which is called Resource Insider. Guys, just to be clear, Chris doesn't… It's not like an ETF where whatever's hot, Chris creates. It's usually a product that … not that you have a lot of products. It's more like when you really see something specific for investors benefit, that's when you actually do it. Usually, it's something that's incredibly out of favor, which sometimes it's tough to sell, right? People want to buy the [FENG 00:55:10] stocks today. Right? They love them. They want to buy them. They can't have enough of it. You're launching this product, which I know you're excited about.

Resource Insider. Why don't you tell [inaudible 00:55:19] a little bit about it?

Chris MacIntosh: It's funny you mention people not wanting to buy the Feng

stocks. I joke to Jaime … It wasn't even a joke because he'd … One of the factors that we're going to probably use a metric is when we have a lot of people really want the product and it's probably when we need to close it down. Look, as I mentioned before, we can go out. We can buy into the sector and you can buy into particular minerals and things. You can buy a number of different companies. You can buy big caps and whatever, which we do, but I had an experience back in the 2000s.

I had a really fantastic broker. A gentlemen by the name of Paul [Vaneden 00:56:14] who's now … I think he's running a company called [Everem 00:56:17] where he sources any … He stepped out of that space many years back. Anyway, Paul was from memory a science degree, I believe it was. A very technical guy. Not a salesmen at all. He was my broken just by fluke and he was one of the best, if not the best broker I've ever had. We went through the bull market of the 2000s through the 2008 and most of my money that I made in that space was as a result of him and private placements. You would get warrants and you would get … I probably got an extra, at least 30% of my overall sector allocation there and don't quote me on this, but from memory it was … I made about four times my money over the course of about three or four years.

About 30 to 40% of that money came out of private placements. The benefits out of private placements. When I came out of that I realize, shit, I actually screwed this up because I should have done much more of that and less of just buying the equities and so and so forth. I filed it away in the back of my mind and I might be wrong but we don't think so. Naturally, otherwise we wouldn't be doing it but I believe we were entering that space again and certainly companies are struggling to raise capital. Nobody wants to know the space because we've been through a bear market.

There's hardly any companies left in many of these sectors because they've all been restructures or gone away. We have

the geopolitical environment that I just alluded to. We think the timing's really right. Again, I needed someone like Paul and it took me nearly 12 months of hunting to find Jaime. Again, I kept getting introduced to people who were, care I say, marketers. It's like, no, that's not what I want. I need a guy who wears boots and hard hats, dammit, and understands this sort of stuff because I don't. Yes. So Jaime came onboard about six … kind of over six months ago and [hot out 00:59:01] the last four months. We've been putting together deals. It's quite simple. I need to figure out how to allocate my money and I needed his help.

Then I look at it and I go well, I can pay the guy like I would need to, which is a lot of money, and I can just do that. Or I can amortize the cost of that and the rest of the team by providing research material on the deals. The deals we're going to be doing, it's basically … we'll be going in with members of the service [inaudible 00:59:41] into these deals. I'm not going to promise they're going to work, but I've got my money on the line and we're going to do everything that we can to make sure that … He's going to do everything that he can to understand the particular deals and I'll do what I do which is to understand the macroenvironment–

Chris MacIntosh: I'll do what I do which is to understand the macro environment and so that's pretty much it. It's not really complicated. That's our thesis and that's how we're executing on it.

Frank Curzio: That's great, Chris. I know that you've talked to me about it and for me when I mention other people's products, I don't do it often and people know that and people know that, I've been doing this for 10 years, but you're someone with a proven track record that's come on here before and people can see the research behind it. You're not hiding behind an email that's randomly coming from somebody nobody knows. That's pretty exciting with a nice title, so that's why when you say you're launching this product, I say yeah, let me try to get it in front of my people. You also offer a really good price too.

I'm going to send everybody the details of that. You have a

free report on the resource sector that I'll make available to you guys as well because that's just what type of person you are, where you want people to understand everything about the industry before investing in your product and in these situations which is really cool. Guys, I'll put together that package and send it to you. This way you can get a better idea of exactly where Chris is coming from, if that's okay with you, buddy.

Chris MacIntosh: Yeah, that's fine.

Frank Curzio: All right, Chris. Listen, we'll leave it there. As always I appreciate you coming on. For me, you're always educating me. Like you say, we always have that network of people out there that always write in and stuff like that and I just enjoy talking to you. I love listening to your ideas and again, I really appreciate you coming on, buddy.

Chris MacIntosh: It's always fun, Frank. I appreciate your time. Thank you very much.

Frank Curzio: Hey, great stuff from Chris. Yeah, I love having him on, hardcore research analyst. Once you get caught up where, "Well, you know, I'm listening to it and maybe I don't," look up some of the things if you don't understand it on Google. Because he's a brilliant guy, he's not there … I love the honesty where he's going to start a new product which is called Resource Insider and he's going to start it now which from a sales point of view, again it's like almost … When it comes to something like crypto currencies right?

The best time to start that newsletter when most people start it, not us. Because we give a shit about our subscribers but there was so much hype in September, October, November that everybody wanted in on cryptos and then everybody got in at the top and what happened? Everybody is sitting on massive, massive losses in the sector, right?

We didn't want to do that, that's why we wanted to get our newsletter out. Chris is like that too. And the fact that he's

like, "Well, we're starting this product, which is great, but then we're going to see real demand, maybe two years from now, that's when we want to shut it down." 'Cause he doesn't want to crush his subscribers. 'Cause that what our business is about.

So, in business, it's just about sales. We run a company, you have to generate sales and pay employees. We get it. But you need to do the right thing for your customers. That's how business … I know, I analyze thousands and thousands of businesses over my career.

Okay, it can't just be about sales and crushing people and giving a crap about anybody, 'cause eventually people are just going to leave and you're going to get a bad name, they're gonna … You know statistics. Everybody that hates a company will tell ten people compared to if they like you, they'll tell one or two.

So, eventually that catches up to you. It really does. But Chris is starting that new newsletter Resource Insider, which is also going to include product placements and resource stuff. Probably a few different product placements than what I offer in Curzio Venture Opportunities. And I'm going to send you an email about it over the next day or two, with a special offer that he's giving just me, for my listeners. Which I really appreciate, 'cause he's a good friend.

So, if you're interested, call with no worries, I won't go to the website or anything, sign up. This is going to be a special deal for you guys. But, Chris is a great analyst, with a great track record and it's my job to put guys like this in front of you.

So, even though it might overlap a little bit with Curzio Venture, I always want … If there's ideas in there that I know you can make money, and Chris has come on this podcast numerous times, and offer you amazing ideas. Ideas that even I didn't take advantage of, now I'm starting to take advantage of a lot of these things.

Again, it's my job to put guys like this in front of you and I

like Chris a lot and that's why I'm offering that newsletter, so if you're interested, call, if not, no worries, but don't go to his website and subscribe, 'cause he's creating something special just for us and I'll send you an email about it, so if you want in, it's going to be a credit investors only.

Feel free to inquire more about it through that link, but make sure you use that link. This way you get the best discount and best price on that product. And I'm here for you guys, so if that helps, cool, if not, again, something you're not interested, no worries.

Now, let's get to my educational segment. If you're a Curzio Research Advisory member, you're about to get a really, really fantastic issue.

We publish every month, I don't say that every month. I say it when I'm pouring my heart out, I'm researching, I'm writing something for three, four days. Staying up 'til two, three in the morning, not realizing what time it is, 'cause it's just … I'm so engulfed in something.

And it's usually when it's about a topic that's different, or contrarian from everybody else, 'cause when you have contrarian opinion, and you throw it out there, you better make sure all your facts are right. 'Cause you're gonna have the world attacking you. 'Cause it's a different opinion from the rest of world. It's just like a short seller. When a short seller comes on something, the whole world, usually people are long stocks, fund managers are long, they go out and they attack, attack, attack, attack, attack, attack, attack. And more times than not, that short seller happens to be right, because they're doing a lot more research, which is required, to prove that the entire world is wrong. Makes sense.

But this is issue, guys, definitely, you're a subscriber, read it. I'm not selling it. I'm just saying, it's going to be really, really good because I'm gonna explain why the chances of the U.S. having another credit crisis in your lifetime, and if you're 95,

and listening to this, I'm not talking about you. I'm talking about the who are 55, close to retiring, or recently retired.

But the chances of the U.S. having another credit crisis, are the odds, is zero. It's zero. I know it sounds crazy, I know you think I'm smoking something. Just hear me out.

Just over the next five, ten minutes. I just want you to hear me out. So, I'm going to throw statistics and things at you. And you make your own opinion. You may send me an email, Frank Curzio Research, "Frank, you're an idiot. You have no idea what you're talking about. Absolutely nuts." 'Cause what I'm gonna say is going to fly in the face of 95 percent of the newsletter writers in this industry.

Who are saying that you prepare, you're in trouble, which they've been saying for what, seven, eight years? In the face of the biggest bull market in history, right? And probably the generation, at least.

Telling you to watch out, buy a cave. It's crazy, the banking sector. It's over. You're in trouble. Prepare yourself. ATMs are not going to work anymore.

Just hear me out. We've come a long way since the credit crisis. Don't worry, I'm not going to go over the entire story again. I'm sure you know it by now. If not, there's 25,000 books that everybody wrote to make a little bit of money for themselves about the credit crisis. You can go on Amazon and buy them. Read 'em. Have fun. If that's what you want to do with your free time.

'Cause here's a few details behind the banking industry that you'll rarely see mentioned in the media, or in the financial news industry. And it's going to give you a better picture on why this sector offers an incredible opportunity for investors today. Or, over the next decade.

And again I covered banks before, this is going to be different. This is more detail. So, in late 2008, shortly after Lehman

Brothers filed for bankruptcy, our government established the trouble asset relief program, TARP, that authorized the U.S. treasury to purchase up to 700 billion dollars in troubled assets, which is sitting in the balance sheets of our banks.

It turned out to be about 400 and something billion, after all is said with that. They used the whole 700 hundred billion.

So, the program helped stabilize the sector, as did the Dodd-Frank Act and this is regulation that was signed into law. It was 2010, it essentially allowed the government to regulate financial institutions. And by regulate, they decided if banks could pay dividends and buy back their shares of these capital programs to investors. And they would determine that, based on stress tests, right? There's a provision requiring the largest banks, those with 50 billion dollars in assets, that what it is now, to pass an annual stress test. So they must submit this data to the FBI by April 5th, every single year. And these results are published to world between June 15th, July 15th. If you noticed, they were just published not long ago.

About two weeks ago, 34 out of 35 passed. Deutsche Bank was the only one that really failed. They all were able to a week later, they submitted, all the banks submitted a capital program about how much capital they want to return to investors, and most of them got approved. Which is the following week, by the Fed.

This year's stress test required, a little bit different than what I've been saying. This year, required that the banks have enough capital to withstand depression like conditions. These conditions include and listen to this, a 10 percent plus unemployment rate, a 60 percent plus stock market crash, a 30 percent plus decline in home prices, and a negative 5 percent, a little bit more than that, 5 percent plus in gross domestic product. GDP.

Think about that. Because if you put these numbers in perspective, these conditions have never existed together in the

history of America. Not during the great depression, not after the credit crisis, never. Those things never existed together. Yet, the banks are required to keep that much capital on their books to prepare for that. Just in case.

Think about that for a minute. That's like Apple, now that they pre-traded a lot of money and brought it back, whatever they have, 200 billion to hold your 50 billion, who's counting these days on the balance sheet. That's like the government going to Apple and saying, "You know what, you have to keep at least 200 billion of the 250 billion on your balance sheet and you can't spend it ever. Just in case something that never happened in the history of the country, happens over the next ten years."

Can't spend it, can't do anything, nope, gotta keep it on the books. That's what you have to do, sorry. That's a loss.

Out of 35 banks that are required to go through the stress test I just mentioned, apart from Deutsche Bank, each bank passed with flying colors. Again, it meant that the banks were permitted by the Fed to return capital to the shareholders. Now, let's take a look under the hood at the actual numbers, which is a little important, right? 'Cause these are facts. And it's important, right? It's not opinion, these are facts.

According to the Fed, the 35 banks that went through the stress test, added a combined 800 billion dollars in high quality assets, right? High quality capital to the balance sheets since 2009. What's that mean, high quality? Cash on hand, government securities, as opposed to mortgages and credit card debt, right? So this is high quality capital.

Now the Fed estimates that if the four conditions I mentioned, again, never happened in U.S., ever. But if they all take place at the same time, our banks will lose a maximum amount of 578 billion dollars. That's their number.

They just said they have a combined 800 billion high quality capital. What does that mean? That even if our country were to experience depression like conditions, worse than the credit

crisis, our banks are going to be perfectly fine. They're still going to have plenty of capital on the balance sheets, over 220 billion dollars to continue lending and doing business.

Getting back to high quality capital, that's just one step. In 2014, a new measure was put in place to make sure the banks had even capital in hand to withstand another credit crisis. And it's called Common Equity Tier One Ratio. So, it's CET one. Okay. Don't worry about calculating it, we need to know is it's the best measure of a bank's core capital against its whisperated assets.

So, it's basically the most important ratio to determine the solvency of the bank, all right? I don't want to get too technical. But what you need to know is, when this measure was put into place in 2014, every bank was required to have a minimum CET one. And that's the ratio of 4.5 percent. And that was by 2019. So, it was put in place 2014. So remember, 4.5 percent, under that is bad, over that is good.

So if it fell below that level, what would happen? The banks, not be allowed to pay discretionary bonus to employees, buy back shares of their stock, raise their dividend, just put the bank at a significant disadvantage to its competitors.

Now, for the recent stress test, they were published two weeks ago. The 35 banks reported, everyone of 'em, a CET one ratio well above 4.5 percent. If you're looking at the major banks, this ratio is two times to three times higher than the requirement of 4.5 percent.

I'm look at Morgan Stanley 16.5, Wells Fargo 12.3, Citigroup 13, J.P. Morgan 12.2, Goldman Sachs 12.1, Bank of America nearly 12 percent. Okay, again it has to be more than 4.5. And if you go from 2012 all the way to 2017, these banks significantly strengthened their balance sheets.

We're talking about being between 35 to 70 percent stronger than they were in 2011. Again, things people aren't going to tell you about. Now if that's not enough to convince you that

our banking system is perfectly safe, there's another number you should be familiar with. It's 351 billion dollars. 'Cause according to the Fed, the 35 banks, those large cap banks that just passed the stress tests, they have 351 billion dollars in excess capital on their balance sheets.

So this is money just sitting on the books to safeguard against a potential super depression. Now of that 351 billion, over 200 billion in excess capital is sitting in the balance sheets of basically, just seven of the largest American banks. You know them. Wells, Bank of America, J.P. Morgan, Citigroup, U.S. Bank Corp, Morgan Stanley, Goldman Sachs, right? Those are names you're familiar with.

Those guys have 210 billion excess capital. This is money that they can't touch. They're not allowed to touch, just sitting there almost wasted, right? That they want to take a percentage of that and lend. Because it's crazy to be sitting with that much money. They already have excess capital, if all these conditions happen, they already have over 200 billion dollars in excess capital in high quality capital on their balance sheets, right? That I mentioned earlier.

That's how crazy our regulation is right now, that's why they want to dial it back. There's new laws, enacted by our current administration, just a little bit of a deregulation, not too crazy, helping out the banks issue more loans, make it a little bit easier, relax the restrictions, just a little bit. Which is a start, which is good.

But what you need to know as an investor is our banks are safer today than any other time in history. But if you still don't believe me and those stats don't make sense, you really need to understand what actually caused the credit crisis in 2008 because not only those factors no longer exist, but most people do not understand.

They think it was subprime mortgages, no. It wasn't just subprime mortgages. You're talking about things that would

have hurt the housing market, that would have hurt the banks a little bit. Not something that collapse our entire, or almost collapse our entire financial system.

And what really crushed us was securitization. That's what banks were using to increase profits. What is that? It's the pooling of high risk illiquid assets, which are subprime loans. They pool them together into one product. They're called mortgage backed securities, collateral debt obligations, again even that part, pooling them together, if you look at the market and it falls now, if the prices fall, it wouldn't be that big of a deal. It would be limited to maybe financials and housing.

It would be that bad. 'Cause by pooling these loans together, what'd they do? They are able to secure triple A ratings and this is where things get interesting. And it's the safest rating for the industry, but that's triple A ratings for these assets, nobody look what was inside. 'Cause after all if you pool these things together, the chances of thousands of loans defaulting once is very minimal, compared to just one or two.

The credit agency is making a fortune, triple A, triple A, triple A, triple A, triple A, getting paid and that's fine. Still, that's not what caused really the crisis, that's what led to it.

Now here's where it gets interesting, because financial institutions weren't just selling these crazy products to third parties. They were also investing in them. And since many of these assets were held off of their balance sheets, which is shadow banking, it was impossible for anyone to measure the actual true risk of this.

That's why nobody knew what the hell was going on. Right now we know everything, we have all the numbers in front of us. We know all the debt numbers in front of us. We see it. The banks are so regulated right now, they got you know who up there you know what, they can't do anything. We know exactly what they're doing right now.

Back then, nobody knew, nobody knew about this stuff. Now here's where it gets interesting, this is why it crushed the markets and it led to systemic risk. Which is a collapse, everything linked together. Because with these idiots did is the financial institutions, they got greedy and started leveraging these loans by their credible 30 to 1.

And this means that the banks are borrowing 30 dollars for every one dollar they invested in. So if you put that in perspective, all you need is home prices, you're only putting up a dollar, right? And you're borrowing the rest, that much, leveraging 31, you're looking at a market that if housing prices fall 4 percent, you lose your entire equity. You lost all of your equity. You're done. So you just needed a small decline, because they were leveraged, 'cause they created synthetic of synthetic of synthetic of synthetic loans.

So, it wasn't just, "Oh, subprime, they lent to subprime or risky borrowers." No, that would have been limited to one market. If that crashed, it was that they leveraged the hell out of it, placed this stuff and there is no one new. Then when there are illiquid, and some of them saw the market crash, they went to AIG, tried to get insurance at AIG, had no clue what was going on, now look at these people giving us free money. Sure, we'll insure everything. Oh, okay. Fine.

So, obviously, if AIG goes under, and all these things crash, you get an entire banking system, they're done. They're gone. Even if they're insured. If you're insured, your house burns down, the insurance company goes out of business, you're not getting any money. You're done.

So this is what you need to understand what happened during the credit crisis. Some of you do, but I guarantee or I'd bet most of you don't, because if you did, you wouldn't think that a credit crisis is on the horizon.

'Cause what you saw then, is what, home prices just started to decline, every major financial institution got crushed. The

credit markets froze. The global financial system began to fail, and that's why our government had no choice but to bail out the banks. Nobody likes it, but they had to, unless you wanted to see the end of western civilization.

30 percent unemployment, still probably would of had 30 percent unemployment today, not jobs, no nothing. Again, it's hard to imagine what would've happened, but you're looking at no lending, no loans, no nothing. Which is crazy.

And you look at Steve Eisman, which is the guy who was in The Big Short, it was Steve Carrell. That's his real name, Steve Eisman. He was happy 'cause he hated the banks, even today, it wasn't long ago, he said that "There is zero systemic growth in our system right now." You know why? Because our banks are no longer leveraged 30 to 1. They're leveraged at 10 to 1, which means it's almost impossible to make a run on these banks right now. That's the lowest leverage to put in perspective, the lowest amount they've been leveraged, in decades. In decades. Even 2002 is like 15 to 1, it was 20 something to 1 in the '90s.

Not only are they not leveraged, they have a watchdog that's watching every single year, what these crazy stress tests telling them, nope, you have to keep this capital on your balance sheet. But yet, you have so many people out there saying, "The markets gonna crash. We have another credit crisis coming." We don't have another credit crisis coming. Could the banks fall 10, 15 percent? Absolutely. We're not going to see a 70, 80 percent crash in the markets.

Think about it, use your common sense. What happened last time the markets crashed? The government bailed everybody out. And what happens, they need more money than ever. Everything, AIG, Fannie, Freddie, they made all money in all this stuff. Made a fortune. All the banks were able to, banks were making a fortune, everyone is able to pay back the money they borrowed during TARP.

We see a 20, 30 percent correction, you don't think that they're gonna do that again? Do I like it? Do I agree with it? No. But this, I'm talking from an investment point of view. And again, could the banking stocks come down from here? Yeah, probably, but I doubt it, with the amount of catalyst they have. They have an unbelievable catalyst.

I know people are shout out, "Frank, we're 20 trillion dollars in debt. Crazy, more debt than ever." But they're not going to mention that home owners in America are sitting on nearly six trillion untapped equity in their homes right now. Gonna mention how "1.4 trillion in student loan debt it's out of control." We could all see that number, we know what it is, but "It's out of control." Not gonna mention that this guaranteed by the government, which has a printing press. We're fine there. It's going to be okay. It's not a big amount in the scheme of things. You're going to talk about how the auto loan market, 1.1 trillion and how whatever, 25, 30 percent, throw whatever number there, is subprime.

So it's the housing crisis all over again. It's not the housing crisis all over again. Anyone who bought a house knows, if you buy a house and stop paying your mortgage, you know what, it's almost impossible to kick someone out of their house. And they can destroy that house and do whatever they want. And the fact that they had no equity 'cause it just needed a library card, they just walked away.

Today, most people have tons of equity in their house, they're not gonna walk away, even if housing prices crash 20 percent, they still have a ton of equity, they're going to walking away from money in their homes.

More than 95 percent plus pay their mortgage. Are you truly not paying your car loan. What's going to happen? Skip it for three months, you'll see what happens. Your car is not going to be outside, it's going to be repossessed. And they're going to clean it up, and sell it to somebody else. It's not total loss or a wipe out of a massive loan, like you saw with housing. You

don't get money back for that.

Believe me. And guys, again, you're borrowed money for the car, they have your address, they know where you are. They'll repossess your car. People don't want to tell you that. 'Cause it's not exciting.

But enough is enough with the BS with ATMs are going to stop paying you cash, and the world's gonna end, which we've been told for what, seven straight years which kept you out of the biggest bull market and stocks in a generation?

And most of the people making these predictions either don't know shit or either trying to sell you something because whatever, but they can't simply read a balance sheet, looking at the numbers, record numbers, record earnings. Banks are going to report record earnings this quarter, too. And forget about tax reform, because they're the biggest beneficiary of tax reform 'cause they pay some of the highest taxes out of every sector, are the banks.

But even if you took that away last quarter, they still would've reported record earnings. Which is like, in the neighborhood of 45, 50 billion dollars around there. I think 6 or 7 billion came from tax reforms. If you take that away, it was still record earnings.

So if you're 55 and older and you're worrying about this, which I don't blame you, right? I mean it makes sense, I understand. I understand why you're worried, this didn't happen too long ago. You're just sitting there, you're retired, you're sitting on a nice nest egg, your 401 K suddenly decline by 40 percent. Your home price fell by 30 percent, and you're 65, 70 going, "Oh, my God, am I going to have to work again? What do I do?" I get it.

But guys, that's not gonna happen again. If you look at the market today and what caused the credit crisis, again, something that happened for the first time since the 1930's, those conditions don't exist, the banks aren't leveraged the

way they are. Even Eisman said it would take a media to bring down the banks, now. 'Cause they're not leveraged that much.

It's important for you understand that. Because all these debt numbers, they're in front of us. We see them. People don't want to talk about the equity, people don't want to talk about their assets, you gotta look at the whole picture. That's why the chances for another credit crisis in our lifetime, is zero. It's zero right now.

If you don't believe me, that's fine. Go buy yourself a cave and live in it for a couple of years, I'm gonna have fun with my life. That's your choice. But if you look at the numbers and you look at the conditions and you take time to do your research, you're going to realize that. Is that gonna sell me more newsletters? No. Nobody wants to hear that. They want to hear that fracking kills animals and creates earthquakes and kills everybody and stuff like that, even though all this water contamination even though fracking doesn't cause water contamination. That's impossible. Unless water travels from 5,000 feet upward 4,500 feet into water somehow. Defies the law of physics. It doesn't happen. But be careful of things you read out there that are meant to scare the shit out of you because they're selling a product.

This isn't a friend that you know is an economist that's telling you, "Hey, board up your house. Things are bad." No, this is some email you're getting from a source you don't even know. And I hear people citing this stuff. "Man, I don't know, I'm taking my money to the bank. The ATMs aren't … " I'm like, "Are you (bleep) kidding me? You really think the ATMs aren't going to work?" The banks are strong than they've ever been in history. So you need to buy them. And there's plenty, plenty, plenty of catalyst, I mean plenty of catalyst for these banks.

You're looking at just higher interest rates, it's going to result in higher net interest margins, much stronger profits. Huge increase in buybacks and dividends. And talk about billions,

these guys are buying like five, seven, ten percent of their flow this year, and it's going to continue year after year, that's how much money these guys have.

And they're going to raise their dividends to levels that are higher than consumer staples an utilities which are much, much more expensive, trading at 20 times plus earnings. The banks are trading at 12 times earnings. And they have huge growth potential. And they're going to pay higher yields. Why would you own consumer staples and utilities instead of the banks right now?

You have deregulation, more deregulation coming. Being able to put 350 billion excess capital works. Is it going to happen tomorrow? No. The banks come down a little more. They're going to report record earnings. Maybe you see 'em sell off a little bit. But man, if you're a growth and income investor, how aren't you investing in this? And maybe you just hate the banks and that's your personal feelings and I understand that.

But we're just talking about from an investment standpoint. And then, what do we have with tax reforms? Which is not a one-time thing. And banks, the biggest beneficiary almost of any other sector, they pay the highest taxes. And you're seeing that already. This is gonna add tens of billions in free money to the balance sheets of these … It's going to fall right to the bottom line. Just because their tax rates are lower.

Which is going to continue going forward, year after year. It's not a one-time event. If you're looking at the banks, they have growth catalyst, their trading at a dirt cheap price, they have much better alternatives in almost anything you can think of from a growth and end points, growth and income standpoint.

You're 55 and older, again, stop worrying. Be smart, doesn't mean the market can't come down 15, 20 percent, what I'm telling you is that the systemic risk is completely off the table, we're not looking at 50, 60, 70 percent downturn. That the whole world is tied together, that nobody knows about. And

even if that does happen, you have the government there that's probably gonna balance out from an investment standpoint because they made so much money the last time they did it.

So, the reason why you love me, is now you can sleep at night. But do your own homework, do your research. If you want to email me that, it's Frank at Curzio research dot com. That's Frank@curzioresearch.com. And guys, thanks so much for listening to this podcast. I really appreciate all your support.

That's it for me. I'll see you in seven days. Take care.

Announcer: The information presented on Wall Street Unplugged, is the opinion of its host and guests. You should not base your investment decisions solely on this broadcast. Remember, it's your money, and your responsibility.

Wall Street Unplugged, produced by the Choose Yourself Podcast Network. The leader in podcasts produced to help you choose yourself.