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 25th. I'm Frank Curzio inside the Wall Street Unplugged podcast where I break down the headlines and … tell you what's really moving these markets.

Just came back from the Sprott Resource Conference in Vancouver. It's a real short trip for me, going to Florida, to Vancouver, from the Jacksonville airport. Which, it's not a direct flight. I was like flying the whole day there, whole day back. And coming back it's even worse, 'cause you have the time change. I mean, you can leave nine o'clock in the morning, and you're getting back at like midnight with the time change, no matter what, and the layover and stuff like that. It's pretty cray.

I love Vancouver. Beautiful city. Resource capital of the world. I was there for about a week. A lot of company CEOs, analysts, friends. And a few interesting observations. Surprising. So this Sprott Conference, the traffic this year was down 55% from last year. And I've met at least with more than a dozen CEOs, maybe close to two dozen. People I see a lot, just a couple, just every hour it was like another meeting, just getting updates on everything. And I have to tell you, every one of them, every, every one of them was negative. Or maybe I should say just not optimistic, which is a first for me, coming this industry for a good seven, eight years. Usually hear them say, "Well the cycle's gonna turn. The last time this happened … This is why it's gonna happen now," and all, you know.

It's getting to the point where most of these guys are just shaking their heads. Some of them said, you know, "I don't know what to do." I mean, they added ounces. The did everything they said they were gonna do in the past couple years. The stock's trading lower than ... You know, some of them quadrupled their ounces on the books. High grade. Great discoveries. And their stock's trading lower today than it was like three years ago, two years ago. They have less ounces, much less ounces. They have cash on the balance sheets. They're not gonna have to raise money. They have great projects, strong management teams. Yet their stocks are down, why? They're on 60% plus, especially over the past couple years. Got a little bit of a head fake in early 2016. But then boom, it came right back down again.

And even more of a head fake was Trump getting elected was the biggest, supposed to be one of the biggest catalysts, all this uncertainly. The sentiment was, going in, Hillary's not so good for resource stocks. Trump winning would be a boom. And the exact opposite happened. I mean, we've seen this industry get crushed since Trump's been elected. And like me, they're saying, "Well I don't know what's gonna turn this around. I don't know what's, gold, silver, I don't know what's gonna drive it higher. We've seen every market condition over the past five years, during this brittle band market, again, outside the little time frame in 2016. Markets surge higher. And inflation we've had. We had inflationary condition. We had a higher, rising dollar, higher dollar, lower dollar, interest rates going higher, interest rates were low. You know, Brexit, Italy recently. You know, store values sink.

All these conditions if you look, pretty much existed. And what happens? These stocks still haven't reacted. Gold prices are coming down even further now. I mean, it is cyclical, and usually these markets just change when nobody believes they're gonna change. But when I see all these CEOs, I'm talking about every one guys. I'm not being selective here. I'm not trying to tell you the story again. I'm not a person that's gonna tell you the story that fits my thesis. I hear things, get my information, and then form a thesis on different stocks and things they're gonna recommend. That's how I've done great, and that's how come I've been doing this for over 25 years. If the conditions change, I change. That means I may not be bullish. I may not be bearish.

But if the conditions dictate that. And right now, these conditions are, what does it tell you when I see these things? We are pretty close to a bottom. And I know you've heard that before and say, "Oh, I know. I've gotten burned." And yes, we've stepped out of some of these stocks because the risk reward seemed to be extremely favorable. But you saw in 2016, when a cycle turns, it's three times, five times, ten times gains, which we saw in a lot of stocks. And you're gonna risk 35% on most of these names, on average, in my newsletter, 'cause you're venture.

But what happened, we still see the market coming down. It's weak. So I know it's skeptical, but the things that I'm seeing, with sentiment, at least to my perspective, again, someone who attends at least two to three resource conferences every year, speaks at most of these. But you know, sentiment is never been this low. And in fact, nobody's interested in resource stocks to where Sprott, one of the biggest brands and money management firms in the space, he's at 55% decline in traffic at their signature conference year over year. It's kind of a positive sign to me. Did I mention a lot of new resource ideas on my Frankly Speaking podcast, which I host every Friday. You guys can download. It's on a different feed. Just go to iTunes. Did I also mention that I talked to a top Iranian executive who took me flying in his plane, went over Whistler, which is beautiful, the Vancouver snow topped mountains and waterfalls, which are flowing into these big lakes. The lakes are turquoise from the minerals just coming off the mountains. I mean, and you're flying of the city. It was just, it was breathtaking. It was really breathtaking. Just beautiful. I should post a lot of these pictures.

I did post on my Facebook page of me flying the plane for like 30 minutes, which he let me do. First time ever. And I told him, you know, discussed, I was like, "All right. I wanna land it. I gotta land the plane." He's like, "Ah, you're not gonna land the plane." I was like, "Come on. Let me land it." I was getting really cocky, 'cause it's kind of easy. It's like a video game, flying a plane. A very smooth ride. It was just, it was different than I thought it would be. I thought it would be more rocky. But it was very easy. The landing was easy. Taking off, you get up in the air about two seconds. It was really cool.

But yeah, I was looking forward to landing it. You know, again, first time I ever flew a plane, I'm talking, "Oh let me land it," which is funny. And he was like, "No, no." And now that I think about it, for all of your lifetime members, I think you would've been really pissed off if I tried to land it, and I crashed. I mean, I can see those emails coming in to my family, like, "So sorry for your loss. We love Frank. Uh, can we get a refund since your husband was an idiot?" So yeah. Good thing I didn't try to land a plane. But it was a lot of fun getting out there. It was really cool.

And I also had a nice boat ride with the CEO of a mining company. He's also a good friend. And it's, beautiful boat. It's like a speed boat. And it was just the two of us. And we went downtown Vancouver, and he's like, "Yeah, let's go to lunch." I said, "Yeah. It's great." You know, take the boat. We went to West Vancouver, just, it's like a 15 minute trip. Beautiful outside, and it wasn't just that day it was beautiful. The whole week I was there, it was just, it was amazing. Even when the plane ride, blue skies, just unbelievable. Got very lucky.

But you know, 15 minute trip by boat from downtown Vancouver to West Vancouver. But if you take a cab, it's 45 minutes. Now ask me how do I know that? Since I took the boat there, how do I know it's a 45 minute cab ride to get back to downtown, 'cause there was traffic. And I know that because when we pulled up to the doc.

Again, we docked the boat, small floating dock there. And you know, we got off, and we went to lunch, had a few beers, some great food. And after 90 minutes, I'm like, "Okay, I gotta get out of here, 'cause I had a meeting with Keith Neumeyer, at his office, who's the Founder of First Majestic Silver, First Mining Finance. So I had to get out of there.

And we leave the restaurant, which was a really beautiful place by the way. It was great dinner, I mean, lunch was great. Food was great. But he forgot one little important point when he docked the boat. You see, he thought the tide was coming in. But to his surprise, the tide was going out. So when we got to the boat, it was actually sitting on land. It was on land, right? It was, you know, docked in water. We got out. And people were laughing, taking pictures. And we got out, and we see his boat actually on land. The tide was low. It was low tide. And yeah. His boat is just ...

And I'm, you know, I wasn't laughing. Everybody else was laughing. Because see, you know, I had a meeting to get to. And then I just, actually, I did take a step back and was laughing a little. But he was like, "Fing Hell, my boat." You know, that's my terrible Australian accent. And yeah. I was just laughing. And since this person is a good friend, he's just a really funny guy. I was just, the fact that that happened was just so funny. Everyone was taking pictures. But yeah. He had to wait probably about eight hours for the tide to turn, to drive his boat back home.

Anyways, I was able to meet Keith Neumeyer, which you know, I'm glad I warmed up to some beers first before I actually get there, because you know, Keith is a tequila guy, hard core. Always has the best tequila in the world in stock. And always makes me drink some every time we meet. So you know, so I made it to the meeting about 30 minutes late, and Keith was cool with that, and we had a great meeting to the point where, I think his company First Majestic Silver is pretty exciting. They reported record production recent, I think it's like two weeks ago. Nobody cares, 'cause it's a resource industry. The company's in the best shape ever in terms of production fundamentals. I know Keith personally. He knows exactly when he's cutting, what price silver goes down, what he has to do in terms of his mines in Mexico, things like that.

It's pretty incredible that, you know, you talk about someone who's been in this industry for over three decades, who understands the ups and downs, where you don't have a new CEO going, "What do I do? The market's still coming down? Do we raise money? Do we do this?" It's a lot different with Keith. I mean, he's been through these boom or bust cycles, and the fact that he's ahead of the markets all the time is really cool. But the company's in the best shape ever in terms of production fundamentals. And it's just down along with the rest of the market. Maybe not be a buy right now. But if you do see a little momentum in a sector, which is gonna bring everything higher, the cycle change, this is probably an easy double or triple right away. Just the fundamentals are there. It's a really good company.

Anyway, point of this story is I always get question on how I build my network, especially from younger listeners. And I'm fortunate to have a huge network, great in the people that I've interviewed, also listeners, where our podcast base keeps building and building and building, which I'm always humbled by. And you know, there's so many brilliant people out there, 'cause I'm a believer that people are brilliant in just different areas. You guys listen to me to try to teach you about stocks. But you guys are great in so many different industries and have your own companies, and have been working certain places for a long time. I even have Millennials emailing me about the latest trends, the latest apps, latest technology, which you know, you have to keep ahead on, which, and that's someplace where you can make a lot of money, because the biggest investors in the world don't really understand technology all that well. If they did, I think everybody went into buying the [inaudible 00:10:58] stocks probably a long, long time ago.

But building my network, it's not just going to conferences. We call it being in the room, boots on the ground, traveling the world, visiting manufacturer facilities, which I report back to all my subscribers on. But when I do meet CEOs and executives, I try to have fun. I mean, don't you think it's better to talk about Uranium with one of the leading Uranium executives in the world on his plane, than a stuffy office? Right? That's a memorable event. It's better to hop on a boat and talk about goal and new ideas with an executive instead of in the lobby where the conference is being held, where people are just gonna be walking by. And some people might know him. Some people might know me. You get interrupted.

Even with Keith. It's great going to his office. I know I'm gonna have a couple shots of tequila. It's 3:00 p.m. Vancouver time, and we're talking about the silver markets, the U.S. markets, new ideas. A lot more fun and relaxed compared to going to one of those small conference rooms that they have at conferences where you know, they have a water cooler in the corner, and you have a 15 minute time limit to where the next meeting starts, and someone knocks on a door, you're finished. It's kinda like speed dating at investment conferences, right? 10, 15 minutes to meet every CEO of the conference, and then you choose who's number you're gonna get to hook up later, right, to build your network and stuff. But it's much better to do something fun, memorable, because that's how you build relationships, right? It's not often you can say you went away last week, drove a plane for the first time, got stuck on a boat on land, and had tequila shots with this CEOs of one of the top silver producers in the world. That's just three of probably more than dozens of meetings. A dozen meetings.

I gotta tell you, out of those three meetings alone, I'm not just talking about their companies, but I got at least seven or eight new ideas. Again, not relating to the actual companies they run, because these guys are always investing in new ideas. They have amazing contacts and big networks themselves. I mean, just like myself. When they ask me what I like. You know, what's going on with the U.S. markets, and I tell them. You know, give them some of the things I recommend in my newsletter, some of the sectors, things I'm seeing. They ask me about the markets all the time. You know like, "[inaudible 00:13:13] going to crash? And that could be good for us." And I say, you know, "Don't hold your breath."

I mean, since they have the keys to the kingdom, access to what everyone in the world does every single minute of the day. And it's gonna get even more accurate as 5G comes out, speeds improve. Algorithms are gonna get more advanced. And unless companies, every single company in the world just decides to stop advertising, which is never, these companies are gonna continue to see incredible growth and generate massive profits. We just saw Google report, right? Unbelievable. And see Facebook reports strong numbers. These companies continue to report great, great numbers, growing tremendously, 'cause they have the keys to the kingdom, and no one could really get into that space other than the [inaudible 00:13:49]. Your disrupting all those industries. And again, it's about data collection. It's about understanding your, just how to read these numbers.

And again, is there privacy issues? Yeah. There's privacy issues. But more important, they're just looking to how do we bring the products that you like to buy to you as fast as we can, the best discounts. And they have a significant advantage over other advertising platforms. 'Cause again, if you have a product, you wanna sell it to everyone who's bought a product similar to yours. You don't wanna waste your money. How much money gets wasted when you're advertising when ... If you put a commercial on TV, it's gotta be 80%, 90% of the people that probably aren't even that concerned with your product when you do it on TV. But when these people re posting that ...

Take golf for example. They go golf every week, and they have pictures all over the Facebook, and they're posting on Twitter. And you know, they're posting Pro V Ones or whatever. Now, you know, Titleist come in and say, "Hey, I wanna advertise." Well, these are people that are actually, we know, that are using your products. Here's three, four million of them. Here you go. I mean, you can't beat that, right? So if you look at the [inaudible 00:14:53] stops and you're being honest with yourself, you think they're low value. You think it's crazy. But they're putting, they continue to put up those growth numbers, and they're gonna go higher, which I've been saying for at least four years now. I'm not saying go all in and buy them at these levels. But continue holding them until you see something breaks. But we haven't seen it. I mean, the growth is there. Yeah, percentage wise, I think Facebook's growing faster on a percentage basis, which is amazing earnings. It's just incredible. But these guys, I let them know about things like this, 'cause they don't follow this. They're strictly following resource stocks.

But anyway, being serious here about the networking. If you're going out, don't just make yourself available. It's a lot more than that. I mean, have fun with these guys. Do your research on them. You can easily find out what they like outside of the scope of their business. Like planes, like boats, like tequila. It's not hard. These guys get interviewed a lot. You can go and look at their profiles. They like talking about that. If someone's gonna talk to me about basketball, I'm gonna talk to them forever about it. You know, you wanna, I'm gonna remember you, which is the most important thing. Find the passion that they love.

And believe me, not only are you gonna have a great contact, you're gonna establish a really great friendship. And that goes a very long way. And that's one of the ways that I build my contact list. Like you'll here, "Oh, that guy Frank, he's crazy. He has fun. He does this." It's not just going and meeting these people, and picking their mind about business, which thousands of people do, and analysts, and [inaudible 00:16:20] analysts too. It's more than that. Get personal. Talk about your families. 'Cause once you establish that, you have a good contact. You have it for life. And it's an honest contact. It's someone that's gonna care about you. It's someone that's gonna give you the good advice. They're gonna tell you when to buy things, when not to buy things.

Compared to the person, the CEO, which again, you always interview CEOs. I interview CEOs, and they're always gonna be bullish on their companies, just like you guys are bullish on your companies. Very rare you go to a CEO, and they're like, "Don't buy my company." Resource guys are nervous right now. But they're not saying, "Don't buy my company." When you really have friendships and things like that, they'll tell you. "Well yeah. I'm not too crazy about this. I'm not too crazy about that." That's how you build a really, really good network. Not just going out and being in the room and meeting these people, but going out of your way, learning about them, doing something fun outside of the scope of business, that's how you establish those really, really good relationships. And for me, it's how I find my best ideas, through my network, which includes all of you. Always feel free to email me, whenever. Frank@Curzioresearch.com. That's Frank@Curzioresearch.com.

Now, great interview for you today with the second best analyst I know. That's Mike Alkin.

One of the best short sellers out there. And that's not me talking. I mean, that's among the hedge fund community. He also has a track record to prove it. Mike is editor of Moneyflow Trader at Curzio Research. And it's just really an amazing newsletter, especially for individual investors. And the product is unique because it shows you how to make money when stocks fall. It's unique because it limits your risk while doing this, where you're not actually shorting stocks, which I don't recommend for any individual investor, okay. That's for the professionals. Because when you do that and actually short stocks, you have unlimited risk since a stock can go 500, 1,000, 2,000. You could really get destroyed.

But Mike uses conservative options strategies for stocks where you're betting that are gonna lose value over a 12 month period. And it's very conservative. It's very easy to use. And it's, you know, he has a whole entire book of how to actually, that he wrote, and a whole manual. So everyone that subscribes is really learning this system. And we're getting very positive feedback.

But more important, Alkin's doing pretty good right now. He closed out two positions for triple digit gains, or pretty close to that. A [inaudible 00:18:40] is right now the portfolio of really strong buys, where he's down a little bit on positions, where he took a quarter position. And I think right now's the perfect time for this newsletter where subscribers could make an absolute killing. And for me, and I mean this, is I love pushing our products during the right times. And we launched a crypto product where we could've launched this product when bitcoin was at 15,000, say in November, December, January, like most of our competitors.

So what does that mean? We could've sold the crap out of this product, and that may sound counterintuitive. "Well, that's what you wanna do. You're a business." Well not necessarily. Not if you're looking long term which we do here. Because we knew that was an inflated market. We were pretty sure it was inflated market, that you know, regulation was gonna come out. We have great inside access to this industry, you know, just not inside that, you know, just stuff that's available to the public. But we talked to a lot of our sources. And what's gonna happen if you got into some of the crypto things when, if we launched like our competitors? Now you're sitting on massive, massive losses, right? You have subscribers are pissed off. They talk bad about your brand. They're never gonna subscribe to another one of your products. And most important, you just crushed people, new people that are coming into your company. And these are people that work hard for that money, that just got nailed because you're selling a product at the absolute worst time you could do it, right, when all the hype is actually there.

So I'm always careful on this podcast bringing on CEOs of companies where I think their stock is a strong buy. 'Cause in the past, I did bring on one or two CEOs where I thought their stock was really a strong buy, and the stock came down. So I'm always conscious of that. So CEOs wanna come on when their stock's up 300%, I'm like, "Eh, not really. I don't really want you to come on the podcast, because people are gonna get excited about the idea, and they're gonna buy at the wrong time. That's my responsibility. Even when we're launching new products where I think subscribers can make a ton of money because the timing is right for the product. That's when we try to launch products. And even when we're marketing new products, existing products, we're gonna do that when I think my listeners, you, can make a killing over the next few years. That's Moneyflow Trader right now. Because the product that's gonna kill it if the markets pull back, which you should expect.

And we have eight straight years of outperformance, where the average bull market is what, about five and a half years? Even better is, you're looking at the current market, and a lot of people, I'm gonna surprise you with some statistics here. You don't really need a down market for this product to work. 'cause you're betting against individual stocks. And you say, "Well, the whole market's up, and we're near highs, and it's amazing." Not every stock's near their high. In fact, more than half the S&P 500 is down, even though the S&P 500 is up this year. And if you look at 100 stocks in the S&P 500, again, pretty interesting stat. They're down more than 10% year to date. Think about that.

For me, when I saw that, I really did the data and dug in, it was surprising, right? You're seeing stocks. It's here, now it's all-time highs. Things are great. And when you look at some of these names, I mean, these are names you heard of. These aren't like these little small cap stocks [inaudible 00:21:37]. We talking Starbucks, Walgreens, Whirlpool, Walmart, Caterpillar, Comcast, Deere, MetLife, Broadcom, eBay, Kimberly Clark. How many DOW components are in that list right there? That's just a few of them I pulled. And pretty amazing when you think about it. And Mike's able to find a lot of these companies that are overvalued, especially within certain sectors. And you talk about how negative it was in the auto sector. Look at the auto earnings are coming out, which are terrible. You made money on Goodyear Tire. You should close out our positions. But you're basically betting in this newsletter. Why I love it so much is that you're gonna see earnings and sales slow over the next 12 months for some of these companies. And all you really need to do or see with this product is these companies report one bad quarter. Because they're gonna get nailed with these inflated prices, where they can go down 15, 20% and the option strategy he uses, that could result in triple digit gains in months.

So when I'm looking at this portfolio, it's just set up. The timing's great. And the fact that we're getting so much positive feedback from Moneyflow Trader. Again, Mike already closed two positions. One was Goodyear Tire to just, and Anheuser Busch, [inaudible 00:22:45] just mentioned. And both of those have made triple digit gains.

So again, the cool thing is, you have a full year for this trade to work out. So if you're a believer that the market's overvalued, and it's gonna fall the next 12 months, 24 months, you're gonna make a killing on this product here. And that's why I like it. And for me, I'm always trying to get people in products at the right time. And right now is a perfect time.

So Mike's also gonna break down the Uranium sector. [inaudible 00:23:09] tire industry. There's not a person out there, a CEO that doesn't have them on speed dial, just for the models and the things that he's doing in this industry. Now remember last week, which is funny. I said the contrarian play coming back from the conference in Vancouver is to go short this sector, contrarian, right? Not that it's the right call. Contrarian call has been to short Amazon for 10 years, right? And that's been a horrible call. So people who are listening to Mike here, my podcast actually. This is Frankly Speaking when I said this, actually decided to email Mike and said, "Frank said to short the whole Uranium industry." That's not what I said. I just said it was kinda surprising to see how many people were kinda bullish on uranium. I have about five percent of my assets in uranium. I think it's gonna go high over the long term.

But Mike is very passionate about this industry, and it was kinda funny, because I thought he was going to drive down to my Florida office from New York to beat the crap out of me since all these emails he was getting, and things on Twitter, and emails and stuff like that, and texts. Like 11 o'clock at night, he's like, "I'm gonna debate. [inaudible 00:24:05]." I was like, "Whoa." I was like, "I'm bullish on Uranium." I'm just, you know, for me, I like to highlight the positives and the negatives of every story. So yeah, I had to tell him, "Listen, I'm not bearish. I was just bringing up a point when it comes to centered."

Well you're about to see how passionate Mike is on Uranium, and on some of his current positions in his Moneyflow Trader newsletter right now.

Mike Alkin, thanks so much for coming back on the podcast.

Mike Alkin: Hey buddy. Thanks for having me Frank.

Frank Curzio: It's now different, right, when you're, said you're with Curzio Research. I remember before that, I used to call you. Now I, you know, I kinda hear all your ideas all the time. I get to see you. It's different when I'm interviewing now a little bit, right?

Mike Alkin: It is. Totally.

Frank Curzio: So one is, I wanna give you a shout out for your podcast. And I'm so glad that you're doing a podcast now. Talking Stocks Over a Beer, guys. If you haven't downloaded it, download it, because you're interviewing totally different people right? It's separate where you have hedge fund managers on there, portfolio managers. And all I'm getting is positive feedback. "Frank, did you listen to this interview with Alkin and this?" So it's great, and I guess I wanted to get your feedback on doing a podcast. 'Cause when I first did it, I didn't understand the impact. I kinda took it as a joke 10 years ago. And now when I see how many people actually listen, and the massive network it creates, not just with the people that you're interviewing, but the people who are listening, who are fascinating.

Mike Alkin: Yeah.

Frank Curzio: It's kind of amazing. I was wondering what your thoughts on it now that you've been doing it for a little bit, a few months now.

Mike Alkin: Yeah. You know, it's really a totally new experience for me, Frank. It, you know, for 20 plus years in my career, my job was to keep a low profile and not have anyone know who you are. Just kinda go pick stocks and do your thing. And so this being public is entirely different for me. And doing a podcast, I have no idea what I'm doing. I have no media background whatsoever. So you know, it's been a learning experience. I do keep them, I don't intentionally do it. But some of them run an hour and a half. One ran two hours. And you know, I remember you and I talking and saying, "Keeping it under an hour." And I'm really just time challenged.

But so you know, the format of it keeps changing because I'm trying to experiment and see what's interesting. And interestingly enough, when I do mention on the podcast that I'm gonna shorten it, people, I get a ton of emails or tweets that say, "Don't do that. Don't do that. Keep it longer."

'Cause I try and keep it educational. You know, my goal is to help ordinary investors share whatever insights I have that might be helpful for them from my experience of doing it from the professional side. It's not for professional investors, what I'm sharing. My insights, they know.

So you know, but I'm learning the format. It's a trip. I get a lot of feedback. You know, at first, I'll be honest with you Frank. I would have some people reach out to me and complain about a few things, something I not just said, but format or whatever it was. And you know, at first I'm like, "Hey dude. You know, I'm taking my time to do this. It's free for you." And then like, "What? Seriously?" And so, but as, it really has been, it's been a great experience. And you meet really interesting people. And I get really nice feedback. And that's why I'm doing it, to try and help, you know? And again, my thoughts and my insights are not always gonna be correct. But hopefully they're cogent and could, you know, if it helps people, that's great.

Frank Curzio: I've never had anyone tell me either that, "Your podcast is too long," or, "You gotta shorten it up." It's, for me it's kinda like you just find your own niche, right? It's kinda like, you're getting feedback. You wanna tailor to that feedback. But also, like you, it is public, right? So you're talking about being private. Now you're public. But I do get some emails where they're like, "Frank." And they'll give me like six stocks. "What do you think about these six stocks?"

Mike Alkin: Yeah.

Frank Curzio: And I'll look, and they're not even a subscriber. I'm like, "You know, you want me to come to your house and rub your feet while I give you analysis for that too?" Like they–

Mike Alkin: Well you know, also too Frank, it's funny you say that. 'Cause Twitter too, right? You're out there. And my nature is to not ignore an email, not to ignore a tweet or something. But you get so many of them. The volume is there. And sometimes, if you ask my wife, she'd tell you I'm not the most organized person in the world. So sometimes you get them and you're busy. I might be traveling. I might be working on something. And something falls through the cracks. And you know, you feel bad about it. But yeah. I get a lot of those. "What do you think of this stock," or, "What do you think of that stock?" And first of all, I don't know the person. I'm not a financial advisor. I can't give financial advice. I can't give individual financial advice. So, but you're open for all the world to come at you, right? So it is definitely different. It's something I'm adapting to.

Frank Curzio: Yeah. And it was cool because I saw that adaption. I didn't think you adapted yet, because you almost, I think you were gonna drive down here and beat the crap outta me because … You have become, and I'm being serious here guys. Where Mike has become one of the Uranium analysts out there that the biggest guys in the world are listening to. And I think that's fantastic. Where hedge funds, and the biggest companies in this industry are turning to Mike with the research that he's been doing over the past, you know, year, two years. Really digging keep and going into the fundamentals, where a lot of people who are analysts in this industry are asking him for advice, and are looking at your model and going like, "Holy cow. This is amazing."

And last week I said that you know, on my podcast, you know, going to Vancouver conference that the contrarian play is probably to go short on Uranium. Not that I'm short. But I know everybody tweeting you said, "Curzio's short now." And I was like, you sent me a tweet like, "Are you short? I'll debate this." And I was like, "Mike, I have about five percent of my assets in Uranium. I'm just saying I was just surprised that I heard so many people were saying that they were long Uranium and they believe it's going a lot higher compared to not.

And again, it doesn't mean that that, it's gonna go low, where everyone thought the contrarian play was to short Amazon like for the last five years, and look where that's turned out. But for me, I wanted to talk to you about the Uranium market, because it's something that I'm bullish on, but I was just curious to see at that conference, it was the one area that people were a little bit bullish on. But let's get your point of view. Because when we spoke about it offline, you were saying, well, you know, there's a difference between people talking about it, and there's a difference between people actually investing in it. An the institutions aren't in yet, but it seems like they wanna come in. Could you get to that point, and talk about why you like Uranium so much.

Mike Alkin: Yeah. Well first of all, you really screwed up my Friday night, because I'm at our next-door neighbor's barbecue, just having a couple of beers, and I start getting some messages that "Frank's short Uranium. What do you think?" I'm like, "It's 11 o'clock at night. Will you just leave me alone?" And so of course, I, you know, I went after you on text, because it was fun. But no. So it was pretty funny, you and I going back and forth. You know, look. And Frank, I do have an entity that I'm the general partner of, which you know about.

Mike Alkin: Frank I do have an entity where I'm the general partner of, which you know about. So from a uranium stand point, I do have some insights on it and some strong views on it. Doesn't mean I'm right, but I have strong views on it.

For me Frank the … If I look at where this has been, where it's come from and everyone who is familiar with uranium this and those who are hearing for the first time might not be.

It's a commodity that is down over about 90% now for its peak. And the number of companies has gone from several 100 down to less than 50 that are publicly traded, that you can access to.

And the underlying … And the market cap of the industry back in '07, I think was $130 billion. Back when Fukushima blew up in Japan in March of 2011, it was $60 some odd billion. Now it's six plus, maybe seven billion because the stocks have had a little bit of a move.

When I really started focusing three, two and a half now, three years ago. It was four plus billion dollar market cap for something that controls 12% of the world's electric grid. And in the United States 20% of the power is generated from nuclear power.

So it really … And a solid demand story with well over half a trillion dollars in construction and reactors being built around the world. So, you have a solid demand story and a commodity that really is trading at a price that can't be mined profitably, even for the lowest cost producers at an incentive margin to go ahead and do it. You've seen some production cuts.

So, when we talk about sentiment, what I was saying to you is you're at a Vancouver natural resource conference and the [SPROD 00:32:54] conference. And you know there are some institutional investors there, but there's a lot of retail investors there. And my view is, while there have been some uranium bowls throughout the downturn, what's going to take this industry much, much higher is not retail investors.

Some are extremely smart. I see them on Twitter, I talk to some of them. But that's not the marginal capitals that's going to come in and bring these stocks much higher. That's going to be the institutional capital simply because the size is multiples and where's the magnitude greater than what a retail investor's going to put into the companies.

And from that perspective and having an entity, talking to people on the uranium side, you are ... You're still in the dugout in terms of the awareness level. Like UI, I talk to some really big hedge funds, I talk to some really sophisticated investors, from around the world. And many people reach out to me through contacts I have who are curious about what I'm doing.

And they're just ... They may have recalled uranium from years ago. They forgot the role that it plays. They haven't been paying any attention to it. And if you go back the timeline from when I really started ... People started reaching out to me on this, if I just go back a year there's a market different in interest but not investment.

And if you're running a fund, you are not really in the business of catching a falling knife if you will. And many head funds for instance, I use those for examples, they are under tremendous pressure to perform today, tomorrow, the next day and there are so many nuances in the uranium space that are happening underneath the surface. Which is my investment style is contrarian, so I'm looking for things that are happening underneath the surface, in industries that are left for dead on the long side.

And when they're left for dead and there's not a lot of eyeballs on, for instance in uranium, there are very few research firms covering it from the sale side. There are very few institutional investors in this space. That's not a lot of eyeballs. Now if you're running a big fund. You're running a 500, a billion, two billion, five billion dollar hedge fund, this sector is too small for you at the moment to devote any real time to it because if you were to devote even 1% of capital to it, and you're running a two billion dollar hedge fund. You're putting $200 million into a position.

Well, that's the market cap on many of these companies, so they don't have the ability to do it right now and they don't really want to own uranium companies. And then the really small hedge fund companies, the guys running 20, 30, 50 million dollars, if you're not focused just on uranium and you're running other funds you don't have the resources in house to devote the time.

And when I say that is because there's so few eyeballs on it. Only a handful of sale site firms covering, the market is by far of anything I've ever looked at Frank, the most opaque and complicated market there is.

There's so many layers to the market. So, that means you have to spend a lot of time getting up to speed. And what I said earlier, catching the falling knife, when you look at the commodity price, it's been down and down. Yeah on the surface, you've seen it go from a low of $17 to $24 a pound when we sit here today. But down from $137 at its peak.

So funds want to see that there's some stickiness to a turnaround. They could see the production cuts, but they haven't seen really the price movement. They're focusing on the wrong market. They focus on the spot market, really when price discover occurs in the contract market. And we can talk in a bit why we haven't seen real price discovery yet.

They're going to want to see a little bit more of a move and a steady move to be able to say, "You know what, there's a trend developing here and let's take a look."

So from that perspective, I think you're still in ... For using a baseball analogy, the guys haven't even come into the batter's box yet. And I think shorting the sector is like picking nickels up in front of a steam roller. There can be a time short, can we see a 10%, 15%, or 20% pull back? Who knows.

It could be a news article. It could be anything. Anything can happen that could cause temporary downside. But I'm looking at it from an A-symmetry standpoint. What's the upside potential versus the downside potential? So when I look at that, that's what I like about the sector. I think it's spectacular.

Frank Curzio: No Mike, let me ask you a question now, and again I'm long this sector [crosstalk 00:37:34], but when I look at this market. And it reminds me of gold where I'm seeing ... Like you said the funds are looking for the big catalyst where they want to see prices and price discovery go higher. But when I look at the catalysts that are going to drive this higher, these are catalysts people have been talking about for a while.

Outside of the[crosstalk 00:37:54]. Right.

Mike Alkin: Frank, they haven't. And people can get mad at me here now, but I don't care. The work in this sector has really sucked. When I look at going back over the years as to people ... As to what was going on with why now? Why in 2014? Why 2015? Why in

2016? You saw a lot of bull cases right? And it all turned on, well Japan's going to turn on-line.

Well you'd be really hard pressed to find people saying ... There was a lot of underfeeding that was occurring. Underfeeding, which is was happens at the enrichments plants, where they can squeeze out ... I won't get into the process, but they can squeeze out some extra uranium and sell into the market.

It has always occurred. But it was occurring at more accelerated rate because there was some excess capacity. And there was also, the megatons to megawatts program and where the Russians were de-weaponizing some highly enriched uranium into low enriched uranium, and it was coming in about 10 million pounds a year into the market. And that was ending at the end of 2013.

And when that ended though the United States and investors thought that, well that's 10 million less pounds in the market, but then that was followed on by the United State Department of Energy wanting to pay for the clean-up of some enrichment plans in the US. And they were bartering uranium to some contractors who were then selling it into the market.

And that was putting seven to eight million pounds a year in the market. There were many instances of things that were occurring underneath the surface, and you weren't seeing production cuts. When you looked at the ... You had those secondary sources of supply that the DOE, the megatons to megawatts, you had the enriched uranium product that was coming out of the enrichment plants that was adding pressure to the market. And you were not seeing production cuts.

So people were saying, "Oh, we think Japan's going to come on-line." Well you needed to be forward, not you but people needed to be forward thinking at the time. And say, "Well, okay there's still spending a lot on Cap X, a lot on drilling, they're still developing the process of licensing and permitting mines. The utilities are not scaring anyone. Also, they're not getting scared by that." You also had really, the advent of the carry trait, that came into the market post the global financial crisis.

And really in 2012, 2013 and you'd be hard pressed to find the bulls at the time talking about that. And the carry trait simply, Frank, was if I'm a financial intermediary, if I'm a trading desk, if I'm Goldman or [Deutsche Bank 00:40:34] at the time, or Macquarie ...

The contract nature of the market is such where utilities are concerned about security of supply. And we'll talk about this in a minute. They don't care what they pay and all the noise focused on price right now, they'll pay what they need to pay when they need to pay it, they just want to make sure they get security of supply.

But what was happening, like in anything, with all of this secondary supply hitting the market, and the prices continuously declining like I said, at Fukushima in March of 2011, at that date is $73 but in '07 at the peak it was $137 per pound. But it continuously declined. The utilities typically would enter into seven to 10 year contracts. And that's where the bulk of the market will take place. And the spot from 2009, because Auto Prom had some transfer law pricing rules.

Because Auto Prom, the state owned entity of Kazakhstan, the number one uranium supplier in the world. When they had transfer law pricing that dictated that anything that came out of the ground in an extracted industry had to be sold into a market where there's a publicly verifiable price. Well that was spot, in almost any other commodity. Well the spot market because of the fact that utilities want security of supply, was very small.

And the big deals were taking place in the seven to 10 year contract market. Well what happened was the Kazaks have lost cost of production, and the way they mine, is lower cost. They labor is lower cost, and they're pulling it out of the mine, and they had much smaller market share then the 41% share that the country of Kazakhstan has. Because Auto Prom, the state owned entity has 25% share of the market now. But they were in the high single digits. And as they had to pull it out of the ground, sell it into a spot market where there's a publicly verifiable price.

Post Fukushima with low cost they're pressuring the market, and you start to see the prices go down. You start to see more valance trading in the spot market. So those utilities who had entered into contracts in '05, '06, '07 and I should say near the very peak if you look at the trend they were contracting like there was no tomorrow at the peak.

But not down at the bottom. But they were contracting. As those contracts wore off, now you had a new dynamic in the market. You had uranium, 'cause Auto Prom and Kazakhstan hitting the market, in the spot market. Were here to four, there to four, it hadn't traded a lot.

And then you also had investment banks with very, very low cost of capital and good balance sheets. So they went out in 2011, 2012, 2013 and said to the utilities, "Wait a second, prices are going down. We don't know where they're going to really end, why enter into a seven year contract or a 10 year contract on those prices, on those contracts that are rolling off for you? Why don't we enter into a contract. We will go ahead and enter into a one, two, maybe three year contract and what we will do is guarantee you price and then you can re-up in a couple of years. The price is trending down, why commit yourself?"

The utilities said, "Sure, yeah great." We don't have to use our balance sheet, we'll use theirs. They can hold it, so an investment bank goes out, enters into a contract. They can either buy the uranium at the time or they can keep themselves uncovered and hope that it goes lower when delivery comes.

Well that became like a drug for the utilities. So they weren't really … While their contracts were rolling off, 2012, '13, '14, they don't need to enter into these big long term contracts. They investment banks or some of the financial intermediaries, some of the trading houses would enter into the contracts. They might buy some on spot, they might not buy some on spot, but it changed the dynamics for a while.

It was a Goldilocks scenario for the electric utilities and for the trading firms, hey why not? We have a lost cost of capital that let's use our balance sheet.

I wasn't seeing that talked about. So, you like others say, "Hey we've heard this before." Well, the dynamics have changed quite a bit because right now you've had in the secondary market. You start to get to … If you think about the secondary market, they work in … The Enrichers who were providing a lot of underfeeding into the market, my estimate could be 20-25 million pounds of uranium in the market that back in the early part of '16 was 170 million pounds of supply.

So it's like, putting a mine into the market while demand is down. They're adding a lot of enriched uranium product into the market. So you've got this supply coming, a secondary source that's adding pressure to the market. They sell those things, Frank, called separative work units is what an Enricher sells it for.

And at one time, during their hay day, just like utilities were getting ... Just like uranium miners were getting much higher prices for selling uranium, they too, the Enrichers were getting much higher prices for selling separative work unit.

They could have gotten $150, $160, $170 per work unit that they were selling to the utilities. Well guess what? As everything's turned down, so has the prices of SWU, the separative work unit. So now you're in the high 30s per SWU. They too have order books.

Not the cost to run an enrichment plant, is very low cost. Most of the cost is upfront capital, but you're down at a point now ... What you want to pay attention to is are there a lot of cascades? That's what spins in these enrichment plants. Are they replacing them we they retire? Are they spending a lot more Cap X on that? 'Cause if they are, that means they're happy underfeeding. It's suggest otherwise, so you have less pressure coming from the underfeeding market.

The United State Department of Energy, just recently this year rolled back the amount of pounds that are being sold into the market to a point where 2018 there were no more pounds being sold. In 2019, it's coming up you're probably going to see no more pounds being sold. That takes supply off the market.

The one thing though Frank, you didn't see during the prior, it's turning calls that were coming out of so many houses, was the reality is supply wasn't being cut. It's a remarkable industry because when you look at how long the bare market was, you still saw money being spent on exploration, on mine development, and it didn't make sense. And no supply … If you have a market like uranium, which has two players control, Kazakhstan is 41%, the state owned entity is 25% of that 41%.

But don't kid yourself, they have a lot of influence on the 16% percentage points of uranium being mined in their country. So between them and Cameco, think about that. You have two players controlling almost 65% of the global uranium industry. That's staggering amount of control that they can exert of a market.

And then you had the other mines. Now the average cost of a miner around the world is $50 a pound. For some it's much lower, for some it's higher. But that's about the average, $45, $50, $55. You can't produce uranium at $50 a pound and sell it for $25 or $30. It doesn't work.

You need an incentive margin. You can't sell it at a loss. But what happened, the miners didn't cut, they're waiting for Japan to come back on-line. The uranium miners fell into the same narrative as the sales side, and the newsletter writers were pitching.

The reality is, you need supply side discipline. And that's what you're seeing. You're seeing that … You saw that from the Kazaks, you're seeing that from Cameco, you're seeing it from Paladin with Langer Heinrich. You're seeing [Areva 00:48:38] and you're seeing other cut supply dramatically.

During a period where rates are starting to rise, so all of a sudden those want to enter the carry trade, when you've seen my board double in a year. That scares you a little bit if you're a financial intermediary.

There is some financial intermediaries that didn't go out and cover the uranium that they have contracts for. So, now you have ... They're less willing to enter it, not that they won't but it's less attractive to them now to enter into it.

So you've had all this secondary supply coming off-line. You now have primary mine supply being cut. And you have real discipline starting to show during a period where contracting is starting to come. And people look at the number, and they say, "Oh, that's been out there."

Well the reality is about a third of the market needs, a third of the utilities don't have their uranium they need for 2020 under a contract. Now in the past, they could have gone right to the spot market. They could have gone too ... Because people look at how much inventory, there must be a ton of inventory out there. There's a number out there of 1.8 billion pounds on uranium that UXC puts out.

Okay do the math. Break it all down. What you want to figure out is how much of that, because it's at different portions of the supply chain at different ... It's in different forms and different spots and you want to know how much is mobile.

If a utility or a financial intermediary needs to go into spot, how much can they really find. And that is a tiny fraction of that inventory. So, I look at all these catalyst that are starting to come. People say, "Where's price discovery going to come from?"

Price discovery in the spot market, like I said, those are financial intermediaries trading around. They're doing it for a small arbitrage. That's what they're trying to do. When Cameco cut McArthur River and they took 18 million pounds of uranium off the market, they have some commitments. They need to go out and start buying in the second half of the year.

You just saw Yellow Cake, a new IPO out of London, they took what? Eight, eight and a half million pounds off of the Kazaks that would have otherwise entered the spot market. That now goes into physical storage.

So, you're starting to see a market where the utilities now, 2020 a third of their uranium, they don't have it under contract. So you need to see price discovery in the long term market. In the back half of 2017, you started to see some requests for proposals come out because the ordering cycle is a couple of years. It's 18-24 months for a utility to place an order with a mine and to get it.

That price discovery was starting to occur in the back half of '17 with some requests for proposals from the utilities. And they put that out there, and they wanted really low prices on those long term contracts. And they were playing a game of chicken with the uranium miners, and the uranium miners didn't bite. They can't.

You can't run a company at a loss like that. So, they regrouped, the utilities did and said, "Okay, well lets ... We know we need it. 2018's going to come around, we're going to reenter it. And then you saw energy fuels and UR energy file a section 232 petition with the department of commerce on the grounds of national security, to ask the department of commerce to ask the president, to recommend to the president that the United States Utilities buy 25% of their uranium from US miners.

Now what does that mean? And what does that have to do with price discover? Well the United States uses, give or take, let's round up to 50 million pounds of uranium. And if we went back probably to the ... Around when the Cold War was at its peak, we were producing 40-45 million pounds. We had enrichment facilities. We had a nuclear fuel cycle.

Well fast forward to today, the United States produces less then 2 million pounds of uranium. And we consume nearly 50, we don't have our own real enrichment capacity. We have one conversion facility. We have ... When I say we, United States, has an abysmal nuclear fuel cycle. Here it is the number one bomb maker in the world. The number one nuclear power in the world. The number one nuclear power generator in the world. And it's completely dependent on foreign sources of uranium and enrichment.

So the US miners went to the commerce and said, "Wait a second, this is a matter of national security. We want you to look at this under section 232, which is [inaudible 00:53:13] in place for that where companies are being, where industries are being disadvantaged by foreign sources that are critical to the United States security."

I can't think of anything that's really more important than uranium. It's 20% of the United States' electric grid. Uranium powers our nuclear submarine fleet, our nuclear fleet. Our nuclear weaponry, that needs to be upgraded. So it is a critical component to that.

But what that did and just last week the department of commerce said, "Okay, we'll open an investigation into it." And now they have nine months where they can do investigation and make a recommendation to President Trump as to whether or not they recommend.

So, now what are they asking for? The US miners are saying, "We need relief because we barely have an industry. We have a few 100 people working in it, but we have the uranium in the ground. We just can't compete with these foreign sources." So where do we get it from?

98% we import. Something, 98%, 99%. Depending on the year and it fluctuates, it changes. But you can get up to half of that from the Kazaks, the Russians, the Uzbeks, sources that are not friendly to the United States. At any given time it could change.

You've got going through the Russian duma, the ability for certain materials and it was named, they did name a bunch of them and then they pulled the names out, where they have the right to not send it to us. So here we are dependent on it. Think about being Europe with natural gas, relying on the Russians.

We're relying on the Russians, the Kazaks and the Uzbeks for up to half of our Uranium needs. So what did that do to the market. It caused the utilities, because they have to enter into negotiations, and they indicated in 2017, and the back half, they needed to. It caused them to put that purchasing on a little bit of a hiatus because they don't really know who they're going to be contracting with.

Is commerce going to recommend section 232 be instituted and recommend that they buy 25% of their needs, which would be about 12 million pounds. So there's a little bit of a hiatus. But when you think about the supply cuts, you think about the secondary supply that's starting to win, you think about the contracting cycle that's coming up. To me it's a reverse perfect storm that's starting to set up for the uranium miners.

It just takes price discovery at a long-term contract where somebody steps into the market and says, "Okay, we're going to buy 500,000 or 400,000 a year for seven to 10 years, and we're willing to pay $45-$50."

Now here's the biggest rub Frank, in many industries you can bring capacity right back on-line. Well you've got some mines that are going on care and maintenance. But the reality is, and you could turn those on in a relatively short period of time, three months, six months a year. That you're pulling out of the market now, but there is a natural shortfall in uranium production between actual demand and primary mine supply.

And that gap has been made up by secondary sources of supply. But as supply keeps shrinking, and some of these mines are running towards the end of their expiratory life, you need new mine production. When you think about uranium mining you need to think in terms of dog years. From the time you do the neighborhood negotiations and building relationships with the people in the area you want to mine. The time to get the licensing and there permitting, the project financing, and building it. You need years.

You could be talking, in some instances as little as three but as long as 10-15 years for some of these. Those projects have been put on hold, why? Because of the 40 some odd projects around the world, with the exception of a small handful, that can matter for this cycle. People are going to say, "Well NextGen can produce 20 something million pounds at really low cost."

Yes. They can. When that becomes a mine in who knows how many years. It could be seven, 10 years, pick a number. But for this cycle Frank, most of these miners and there are a few exceptions but for the pounds coming out of the ground that matter, most of these miners need well north of $50 to produce. To even start the permitting and licensing and building and getting project financing. They need contracts in hand from utilities to go that project financing done.

And that's not happening at $24 uranium. So I think it's setting up for a multiple year deficit in uranium. So what's going on? We need to see price discovery in the long term market. The spot market is moving up quietly and conversely at a retail conference just recently, the last couple weeks. I was at an industry conference a month ago, well maybe more than a month now.

Back in early June, with nearly a couple of 100 fuel buys and industry people and miners and consultants and I've been to these in the past and there's a markedly different attitude where the awareness is in there, in the buyer's minds that we know that there's some uranium that we need.

So, that's a very long winded way of saying [crosstalk 00:58:39]

Frank Curzio: I was letting you go bud. I was letting you go.

Mike Alkin: I think it's markedly, markedly different from the prior calls. And frankly, Frank, I'll be honest with you, when I saw some of these prior calls, what was it ... '15, '16, yeah, almost three years now, I've really started diving deep into this space. And I started looking at some of the calls and the more I did, the more I peeled the onion back and some of the work I saw, I thought, "Are you kidding me?"

It wasn't ready to turn. And shame on the uranium miners for not cutting production. And shame of people for not talking about the impact of, on the secondary market of underfeeding. Those things are starting to reverse right now.

Anyway, I need to take a sip of Diet Coke. Go.

Frank Curzio: Guys I wanted to let Mike go there just to see, just to show you the type of research that he's doing. I talked to him I think yesterday, you're in the city talking to hedge fund manager. And seems like every time I talk to you, you're out there. And the fact that you put in this type of work where ... It that sophisticated? It is. You guys have Google, you can look up a lot of this stuff that he's talking about.

But this is why you're one of the best in the industry. Looking at things that ... You answered my question great. Listen, people understand these catalysts have existed for three years and we haven't seen prices, but here's what's different now and I think that's what people definitely want to hear.

Now I want to move on because there's a lot of other things I want to talk to. Once again, we're talking to Mike Alkin, editor of Moneyflow Trader because of your research.

So I want to talk about a couple positions because you've been active on Twitter talking about them. We only have about 10 minutes left. I want to keep that in mind because I want to cover at least two of these thoughts.

Mike Alkin: Sure.

Frank Curzio: And one of them happens to be [Tesla 01:00:16]. I did a video on Tesla showing that this is a company that's definitely going to have to raise money. In most sense, it's not going to have to be this year and this was about three, four months ago. And Elon Musk said, "We're not going to raise money this year." I said, "Look, maybe he's right they don't need to raise money this year. But they're going to have raise money January 2."

Another person interviewed me on their podcast and wanted me to talk about Tesla. And I said, "You know what, I'm not going to tell you anything on Tesla that I haven't already. No or whatever's already out there. Other than the fact that Elon Musk seems to be going out of his mind on Twitter now and people think that he's losing it."

So, what are your thoughts, because you're really high Tesla to the point where it's an easy sure. You think it's going a lot lower. There's a lot, lot, lot of people on that trade. What are you seeing on that, that other people aren't seeing because we know that they're probably going to have to raise money. We see all the problems with Elon Musk. Yet, the stocks really been holding 300. It went to 375 but it came down.

But if you look at the last year or so, you really haven't seen the hit that you would expect from everything going on with this. When … From someone who's a great short seller, who's made their living shorting stocks and knows how critical it is when it comes to the timing of this because you could be right but loose a ton of money in the short term, what are you seeing as some of the [inaudible

01:01:30], maybe that people aren't talking about that could really push the stock lower?

Because there's a lot of negatives and when you look at the balance sheet, it really doesn't look good. When you look at the numbers, it's pretty there of everyone to see.

Mike Alkin: Yeah, you know Frank, it is ... I was just having breakfast with a friend of mine this morning. He's not in the industry but he's a sharp guy and he pays attention and like I said, I've never seen anything quite like it in my career. And Twitter makes it different because when you go back into some of the really high profile shorts over my career.

Mike Alkin: Over the, you know over my career, management teams didn't have, CEO's didn't have platforms like this to just come out and talk and there weren't, there were message board for Yahoo and stuff like that way back when, but this really gives a platform for bulls and bears, and look it's interesting, I, on one hand I applaud Elon Musk, right for having the ability to take on an industry for being entrepreneurial, to be able to do that and go out and raise the capital, and initially to do that. He's had a history of raising capital and selling businesses, and I certainly couldn't do that, I don't have the initiative, the drive to take on the world like that, I'm a stock analyst, that's kinda what I do, right?

So, hey kudos to him for that, there have been many examples, I shared with leaders of Moneyflow Trader, the Preston Tucker story going back many years ago, where had a really wonderful new age car and tried to bring it out, and it was just tough to fight city hall, and it didn't work.

In this particular case, it's, the emotions that Tesla brings up are really stunning, the bulls and the bears, on Twitter, which is a monster platform, Elon Musk has twenty-two million followers and he has quite a bully pulpit to talk about what he wants to talk about and, what you tend to see is, look I understand the bull case, I totally do that this is going to revolutionize an industry, first of all you got to start with the premise that you believe in electric vehicles, right? And I think sometimes the, some of the bulls I've heard, the more articulate less emotional ones, talk about what we believe in Eves, well you know what? So do bears. So do some of the bears, I certainly do. Who doesn't want a clean planet, right? And I hope Eves work and get there.

So, once you get past that, you're kind of starting the roadmap that Musk laid out, was start out with a hundred thousand dollar vehicle, go back to mid 2000s, generate money from that, profits were in that, or cash flow from that, turn it into a seventy thousand dollar vehicle, and those two are beautiful vehicles, they're out there, and everyone knows, and people who have them, I've driven in them. People love them.

Frank Curzio: Yeah.

Mike Alkin: So really, great car. Now. But then the promise, now the company was being built though, it didn't stop there as a nice auto maker. It's a mainstream auto maker, the goal is to bring the Model 3 into the mainstream. And a couple years ago when those reservations were taken I think at one point it was a half million reservations there were, it was taken for, ultimately a thirty-five thousand dollar vehicle, which was a wonderful price point, and with a seventy-five hundred dollar credit, it cost somebody twenty-eight thousand dollars. That's your mainstream and you're gonna do it with really high end, robotic factories, and really change the way.

And so you have a lot of years of a, putting out a couple of really nice vehicles, you're building loyalty, and going from there. It's hard to do that. It's hard to be a mainstream company. Great first mover advantage, but now you're taking on the big boys, and by the way the big boys who hadn't been out there, were on the drawing board, they were testing, they were designing, and just kinda waiting at all different price points. At the really high end price point with Porsche coming out, with Audi coming out, with Mercedes coming out, with Jaguar coming out, and then all the way down into the mainstream car makers.

But Tesla has taken on a life of its own, and for years now the company has said, there are a few instances going back to 2011, we're not going to need to raise capital anymore. And since then, they've raised about eight billion dollars in capital. And I can understand the bulls, so now to me when you look at the series of comments about raising capital, and then capital gets raised, from my perspective, that weighs heavily in terms of how I think about what's talked about by the company.

But I can understand the bulls that say, hey once we get there we're gonna generate economies of scale, and here's it gonna be, and we're gonna take it and this company is gonna be worth a hundred billion dollars, pick a number.

I've worked with big growth managers and I understand how they think, and that's what makes markets, bulls and bears. I can't, by my analysis, not getting into the weeds here, but I can't see how that occurs, I don't think that occurs, in the time frame anyway that people are talking about it occurring. The company has said, at third or fourth quarter I think that they're going to be gapping earnings positive.

You know Frank, if they do, I'm not sure its sustainable, and I don't think they can, I don't think they will be, my opinion based on my viewpoint and my analysis. If they are, I would really need to understand how they got there. Similar to them producing, five, you know, the narrative of the company is spun that it's focused on the gross margin, we have a much higher gross margin than other car makers on the X and the S in the mid-twenties, low twenties, other guys aren't there.

Well, what do you see? You see the best gross margins of the best car makers are twenty percent. The guys who have been doing it forever, who know how to do this like, in their sleep. And you have to see, there are things that are excluded, I won't get into too much on the Podcast but if there are things that are excluded from the gross margin calculation, legally, they mention it, they disclose it, but really isn't comparing apples to apples.

And any other number they talk about it a production number. It was going to be five thousand a week, back the end of seventeen, and it keeps getting pushed out, and if you look, if you just go back there is a pattern of timelines being pushed out and again, I understand. When you're trying to change the world timelines can get pushed out. But, there's a pattern of that.

But I think the real issue, Frank, is demand. The company wants you to focus on the gross margin, on the number of units they're making and when they get there, at the end of the first or second quarter, they get there in, these called, burst weeks where they just throw the kitchen sink at making these number of units to appease Wall Street. But I question the sustainability of it, I think when you throw the kitchen sink at it, and you turn everyone into making, focusing on those vehicles, things can go wrong. Quality can suffer, how sustainable is it? What are the costs to do that? They built a tent in the parking lot, so here we went from an automated factory that was gonna change the world, to now, to make that number you're building tenets in a parking lot in the last month.

But to me Frank, it's the demand because what the market really wants, I think, the reservation holders really wanted that thirty-five thousand dollar vehicle. And they haven't been able to deliver that, they're selling it at fifty-five thousand, and sixty thousand, and sixty-five thousand, and seventy thousand, depending on the add ons you get. Well, I think there's a very limited market for that Model 3 at those price points. I think at thirty-five thousand, it can be a different story.

But now you've got a spate of new competition coming on over the next couple of years starting in the back half of this year with the Jaguar I-PACE which has had tremendous reviews. And also these new cars, you get to a couple hundred thousand, that seventy-five hundred Federal tax credit gets phased out, it gets cut in half, which will happen in January, it starts to get cut in half. And now it then becomes after two quarters it gets cut in half again. While these new cars are coming out with that credit, and these newer higher end cars that could challenge the X and the S are beautiful.

Frank Curzio: That was the thing for me too, cause when I got to Consumer Electronics show every year, last year I saw the roll out of these, all the competitors were electric cars. And now this year, they're really nice, like they're beautiful. And that was the thing where that's a competitive edge I saw that rolls into the loss except the companies that are making these now have fortune balance sheets, a much better shape and so now you're seeing the competitive landscape really get, it's gonna be a lot tougher now looking at a company that needs to raise money, more competitors entering into the space, and when you take everything as a whole, it's pretty scary.

With that said, and I don't wanna spend too much time, more time on this because I know you're short this, and I agree with that and I said the same thing, but would it be easier for Elon Musk, and the stock is three hundred, I mean why not raise money? Why don't you just say, okay I said that we didn't have to raise money, I mean these guys could raise billions at two-fifty. There's a ton of people that they would get and you take a lot of the risk off the table even if they went lower than that. Yes, the stock will get hurt, but you're taking, I mean the big thing is you don't have the money yet, more competitive stuff coming in, you just mentioned a bunch of risks. I mean is this just him being stubborn? Because [crosstalk 01:10:58] I'm looking at stuff that's three hundred, why wouldn't you raise money?

Mike Alkin: Well it's a great question, the stock went to three-seventy not too long ago, going into the end of the June quarter there were tweets, short burn of the century, we are, a lot of intimation of a really great quarter. And they eventually got there with the five thousand number, and the stock went from two-eighty up to three-seventy, and here it sits today, and I'm not looking at my screen but three of five, three-seven, whatever it is, why not raise money there? He's insistent they don't need to. So, why not? I don't know why, cause I would if I were him.

I don't think it's a billion dollars that they need to raise, I think it's several billion dollars they need to raise. You look at the amount of free cash flow, operating cash flow minus capital expenditures, you're pushing ten billion dollars over the last, since they've been around. A billion in the last quarter that went out the door in free cash flow. Now for it to turn on a dime, that means this Model 3 really needs to just soar and I, Frank, for me, again I just don't see it happening.

There are so many things from a production stand point that are really really complicated to do and I'm not an auto expert, but auto manufacturing expert. But we've seen the timelines being pushed out, we've seen this alien dreadnought that the company calls its factory, now making them by hand and Elon tweeted somewhere in the last month or two, talking about, hey you know what, we're doing it really good by hand, or something like that, I'm not exactly sure what he said. But that was the gist of what he said. And there seems to be a lot of flux, and it's hard when you are, it's razor thin the margin of error here, when you're losing this much cash flow to be able to get through. That's a lot of capital that's needed. It's a capital consumptive business while you're coming up against massive competition.

Again I go back to, yeah are there people who love Teslas? Yes. Have I driven in them? Yes. Do I think they're great? Some of them are great, if you go on some of the clubs, and read some of the boards, some of the new deliveries have really been struggling, now is that a fair gauge for all the cars, I don't know. But you do see, I know, I've had plenty of new cars, I've never had some of the issues on a new car delivery that these are having. Is it a result of them being made in a tent in the last week? How sustainable is that? That sustainability needs to be there for them not to need this cash.

Like I said, maybe they pull a rabbit out of a hat, and they generate positive gap earnings in the third or fourth quarter. I personally don't think it's sustainable. And you do need it. Why haven't they raised money? I don't know.

Frank Curzio: Yeah, it's very interesting.

Mike Alkin: Because the thing that I'll tell ya Frank is there are some equity guys, like you said it's at two-fifty. There's a price where people will step up to the plate on this thing. I don't think they're going to be able to access the debt markets, I think that's gonna be a challenge there, you see the bond trading at eighty-nine cents. Or at eighty-nine right now so I don't know. There some people out there that say, well they can't because there's a reason they can't and who knows why?

Why he's not willing to, he's got amongst the bulls, they call them fanboys. Amongst the really true believers, and hey I respect everyone's opinion on what they believe, those folks Frank, they might finance him. And he doesn't want it, I don't know why, he's had no problem in the past, over the last eight times going out and saying, or not eight times, but the last several times saying we don't need capital and then raising capital. So, it wouldn't be too much of a departure. So, I'm really not, I don't know the answer and I struggled with sharing my views with Moneyflow Trader because you talk about what do I, I don't know anything anyone else doesn't know.

And the thing is, you try and stay away from things that are obvious, but I've not seen anything like this and also Elon is very active on Twitter, and he's very aggressive and I've not seen that type of behavior from the CEO of a fifty billion dollar company before, and that gives me pause. I've never met him, like I said kudos to him for building this thing and I go back to he's very aggressive, he hates the short sellers.

You know short sellers play a role in market, they keep companies in check. I've seen the bulls come out and say all short sellers are nefarious bad guys, I've been in the business twenty plus years, Frank, and I don't know what any nefarious short selling bad guys. Are there a few? I bet ya there are, but probably are in the world of short sellers, just like in the world of everything there's a couple of nefarious guys. But for the most part, in the world of the markets, there are guys doing really deep dive research, having a different point of view and sharing that point of view. And that doesn't go over well with the Tesla bulls, and that doesn't go over well with Elon, and he really goes after them. [crosstalk 01:16:11] And that gives me pause.

You know Reed Hastings, back a handful of years ago, the CEO of Netflix, Whitney Tilson, the hedge fund manager was very public and shared his negative view on Netflix, and he gave a presentation as to why he thought it was gonna go down materially. What did Reed Hastings do? He came out and wrote an open essay to Whitney Tilson, point by point disclaiming what he thought were, or disclaiming each point and guess what? It was civil, it was conversational, and he laid it out articulately and I think, one of the things that Twitter does, and people hiding behind fake names and all this stuff is it brings out this stuff that can really on both sides people get really crazy.

So we'll see, people believe in Elon, they believe he's a genius, they believe he's going to take them to a world beating company and there are those who don't believe it. I'm in the camp that doesn't think it's going to be able to do it at where they are now, anyway, at least in this shape or form. It's nothing against the model S, the model X, I'm not, I just think they're running up against a wall here.

Frank Curzio: And Mike, I mean people, you can't, I give Whitney Tilson a lot of credit because he actually went low on Netflix, I think in the 70s, I think he was one of the, and you don't really see that often when you're right on the way down and right on the way up. But the stock did come down, and I remember him he reversed his course and saying wow, I didn't understand Netflix, how big this company is gonna get where they have the ability to really disrupt the entire media industry, and he went long because of that, which was cool, right?

And kudos to Reed Hastings for really laying out that point, now I wanna get into this because we have a few minutes left here, about you have been doing this for twenty years, and now you're creating a Moneyflow Trader, which I'm proud to have under the cursive research umbrella, and you've been short

Tesla, you've actually just closed short in Goodyear, and I wanna say short, but you're not shorting these stocks to where you have unlimited risk, right?

So, if you were short Tesla at three fifteen, you watch it go the three seventy-five, and let me tell you something, if you're short, you'd better be covering because then go four, five thousand, you have unlimited risk.

With your newsletter, you've come up with a fantastic strategy that I think is so great for individual investors, because what do we see in the market? We're seeing market that's up for seven, eight years straight basically with a few minor hick-ups. We know historically what's gonna happen to the markets, where they're probably gonna come down, so it's not just individual stocks, but if we see market come down, which is highly likely, no matter how bullish you are, it's a great way to play it where you provide a conservative option strategy that's very easy to learn, and I know personally, because I see emails all the time, how happy your subscribers are, this news letter was launched in December.

I think you have numerous triple digit gains, or close to that, I think Goodyear was almost a triple digit gain, as well as others. But talk about what you do in Moneyflow Trader because it allowed you, instead of if you just shorted Tesla, it would have been really scary because you're watching the stock go from three hundred, three-thirty, three-fifty, three seventy-five, this was in June, early June. And now, it's come back down, but your strategy allows you to be in this position, have a limited risk, not unlimited risk, and you're in this position for a year.

So, could you discuss that strategy because this is something that individual investors need to understand of how to protect themselves, how they can make money when stocks are going down because a lot of people don't realize it. But if you look at the SP five hundred right now, Mike, and I don't even know if you knew this stat, there's a hundred companies right now that are down more than ten percent year to date. And those companies, to me it's remarkable considering we're almost at all-time highs, the market is up I believe now this year. There's a hundred companies, big name, a lot of DOW component down ten, twenty percent right now, and you found a way to really tap that market where you're not gonna make ten, twenty percent, you can make a lot more than that, but discuss that strategy because people believe, I think, from what I hear in emails, the whole market's going high, when it's really a select few stocks. That is a lot of companies are overvalued where you can take advantage, and that's what you've been doing with your newsletter.

Could you explain your strategy and how you're doing it because we're off to a fantastic start in something I'm very very proud of.

Mike Alkin: Yeah Frank, it's a very basic strategy and it might evolve over time but it's really buying puts on companies and all you're really doing is if you have a view that a stock is going down. You can express that view, rather than shorting the stock, which is, comes with really, unless you're an extremely sophisticated or professional investor and I don't think individual investors at home should be shorting stocks because the risk is unlimited because it could keep going higher and higher and at some point you gotta buy back those shares and you don't know where you're gonna buy 'em back.

When you buy a put, you're expressing a view that says I think a stock is going to be worth a certain price or lower at expiration date, and you buy a contract. And if you're wrong the contract expires worthless, so you've lost the amount you've invested in it. You know going in when you buy a put how much your loss can be. You might be able to get out of the put before hand and not lose the entire contract price, but you can quantify your downside.

So, it's a way to express a view on the downside and you can do it on individual stocks, you can do it on NDCs, so you can do it different ways, but it's a way to do that and so that's been really, since we launched it six, seven months ago, that's kind of been the strategy. Now, it's funny Frank, I can't, I'm always early. Whether it's a long or a short, cause I'm contrarian right, so I'm a deep value guy in the long side, and I'm, in the short side you hopefully, you're seeing things that maybe others aren't with the exception of Tesla, right? Where it's just to me, I just couldn't let it go cause to me it was that apparent.

But for the most part, sorry I'm, if you hear back ground noise I'm at home and I have kids, so I apologize. But you know typically you're gonna be early so the first couple of names we came out of the box with they worked very quickly and I was like, oh no. You know, I'm glad subscribers made money, but they aren't going to normally work that quickly. And so I tend to go long dated so typically it's nine months, twelve months, maybe in some cases a year and a half, where I'm saying okay, this is what I'm seeing happening underneath the surface. This is, I think it's going to take three, four quarters to play out and people say well, and then I suggest people scale into positions.

Right, I might say okay here's a company that I think is trading at X and I think it's worth Y in twelve months and I'm just making up an example, but rather than initiate a full position now, let's initiate a quarter of a position or a third of a position because I'm likely early and I think it's going to take the market a little bit of time to figure it out if I'm right, and I will be wrong. I'm gonna be wrong sometimes and flat out wrong. But it's not based on, you could get the timing wrong, something I might have missed fundamentally, and that happens. But here's a time period and we can scale into a position over time.

Now the first couple (inaudible) pretty quickly and I thought, oh jeeze I don't wanna spoil people cause that's not gonna happen, and since then I've had a few that I've put out there where the stock price has gone higher and I might or might not have said okay, let's add to the position here because I'm looking at catalysts, I'm looking at the news flow, I'm looking at the news flow coming out of the research firms, I'm looking at just general news flow, I'm looking at what's going on with competitors, what's going on in the fundamental landscape.

So, the stock price, if I'm finding a company that I think is going to have some downside in a year from now, likely the trend, not always, but the trends have probably been up, and it's gonna continue that way for a period of time. It could be a couple of quarters so the put price could down but we know what the expiration date is. We know it's time certain, and we know what our loss is and I'm trying to teach subscribers how to scale into positions along the way. And that's what we're doing and so I think it's a good tool to use, and that we express the view through puts and that's how we do it.

And the first two that came out were Goodyear, and it was Anheuser Busch, the catalyst you know it happened sooner than I thought and made good money right away, but then there's others where we've got a couple that are the positions are down but I'm watching the fundamentals, I'm not watching the stock price. I don't get influenced by headlines, I don't get influenced by what moves stocks after an earnings call if I have a twelve month, or fifteen or eighteen month option, or nine month option, I'm focused on the fundamentals.

Very quick story on that, Frank, I had an analyst working for me going back several years now, and we short a company in the for profit education space, and we were short it in size, it was a huge position for us. And the company reported earnings, and I don't look at what the stock prices doing after an earnings, I print the press release, I read the press release. That's what I focus on. What are the numbers telling me? Not what is the headline telling me? Not what are the knee jerk reactions telling me? I don't allow that to influence my decision making.

So, I had this analyst come in, the company we were short reported numbers and the stock was up, I forget ten, fifteen percent. And he said, oh my God, what did we miss? And he was all nervous and he was nervous cause he was working with me on the position and I said never look at that again, here's what I want you to focus on. And the stock closed in the after-market down, and the stock got hammered the next day. So, I'm focused on the fundamentals, I'm not focused on the noise and that's why that twelve, fifteen, eighteen, nine month period, that's what we're focused on.

And like I said, sometimes I'm just gonna be wrong. I might have missed something, or something but if I can, before the contract expires, if I think I'm wrong, I'll say let's get out, we might lick our wounds and go on, or I might think that at that expiration, it's gonna happen, it doesn't and that's part of it. But to subscribers I hopefully do a good job of explaining to them what the risks are, and what not.

But to your point, frothy market, and it doesn't go up forever, and on some of these names, like you said a lot of them underneath the surface are.

Frank Curzio: Yeah.

Mike Alkin: Are not doing as great as they look.

Frank Curzio: Yeah, exactly. I mean we've seen that in the market where a lot of these stocks, a lot of very good names, I mentioned earlier in the Podcast just a handful that are down, DOW components down fifteen twenty, like people don't realize there's a lot of stocks that are overvalued and people are just looking at the fangs and saying wow, these stocks are going up forever and ever and ever, and again they have amazing growth models. They're showing they have the earnings to back this growth but when you're looking at these companies, it becomes so big, it's becoming a bigger part of the market and when you see the Walmarts, the Caterpillars, the Proctor and Gambles, the Kimberly Clark's down ten percent, fifteen percent, this year it surprises people. But that's you can make a lot of, you're not going to make fifteen percent. You're gonna make a lot more than that, you're betting on that this down turn is gonna happen on this stock within a year period.

It's just been a great strategy and I know you're making subscribers money which, again is the greatest thing on earth because I know you get those emails and you tell me all the time how cool it is and you're really, it's hard not to get attached, It really is.

Mike Alkin: Yeah, you know you, that's why I do this. I try and just help people, share with my whatever insights I have.

Frank Curzio: Yeah, and it's been going good Mike.

So listen we covered a lot today, we covered Uranium. I'm gonna out on Twitter and say that I'm definitely short Uranium. This is where you can come down here, but, no, it's just funny to get all that feedback when I just made like a simple, I'm investing Uranium, but it's great that I can talk to you and say hey this is what I'm hearing, and you're saying well the institutions aren't in so not really.

And we covered a lot of things, you're gonna meet your newsletter and good year, and especially Tesla.

So, Mike, listen, thank you so much for coming on, so happy you're doing your Podcast guys, make sure you give it a listen and go on iTunes and find Michael Alkin. Also, his Moneyflow Trader newsletter. Great stuff great [inaudible 01:28:31] report.

Mike Alkin: By the way Frank, you've done this six hundred and some odd Podcasts?

Frank Curzio: It's more like, probably like two thousand. And that's just Wall Street Unplugged which I started when, say probably three years ago, and I've been doing this for ten years under The Real Story, then I think we had, I forgot what the name was even when I was at Stansbury, But I don't know if you knew this Mike, but when I was at the street, I used to do a Podcast for an hour every single day.

Mike Alkin: Frank, well you know what? There's one record I think will never be broken again and that's Cal Ripken's consecutive game streak of what? Over two thousand games?

Frank Curzio: Yeah.

Mike Alkin: And I gotta think that your streak of never missing a week of, what did you say two thousand Podcasts, I don't know six hundred. I don't see that ever being broken.

Frank Curzio: I appreciate that, man yeah I do.

Mike Alkin: Amazing, pretty amazing.

Frank Curzio: No, and I'm glad you're on board the Podcast train man because this really is cool, it's a way to really reach out to investors and subscribers and stuff.

So listen, thanks so much for coming on and I'll talk to you soon buddy.

Mike Alkin: You bet. Alright man, thanks pal.

Frank Curzio: Okay guys, great stuff from Alkin. His Moneyflow Trader newsletter, we're gonna provide a special offer for Podcast listeners only. Again, if you're looking for a way to hedge along positions, make money off stocks that fall in value, and I'm talking conservatively not going short. It's truly an amazing newsletter, it's a project I'm really proud of that we launched at a really good time, so I know some of you option experts out there and buying puts, even long dated puts. Look, you know the strategy, you know you probably use it, but most individual investors don't and I wanna bring this strategy to them.

Because if you're one of those, Mike provides a really easy guide on how to use your strategy and he has just, not only the guide, but he has sixteen different things that he looks at for every stock and if he triggers like five or six, and it's pretty cool just to see what he's looking at since he's a forensic accountant before he really shorts a stock.

So, it's a very educational product, you're not just gonna get a typical, hey here's my pick and here's a nice story, no. We're gonna make these products educational, do videos for you, and actually teach you what we're doing, what we've done for the past twenty, twenty-five years and learn from the mistakes that we made. Mike does really good job, and we've got some great feedback and that's something that I require from every one of our editors, in every part that we launch going forward. But he has an amazing track record over twenty years of experience, working for hedge funds as a short seller, and thus far Mike's done a great job for his newsletter so I wanna see all of you enjoy that success, especially since the conditions are really perfect.

And the market has been up for the eight straight years and listen, if they fall, which is likely if you look at the history of the markets, it's probably gonna happen within the next few years, we're gonna see a market pull back which is normal. A lot of his positions do really well, so I'll be sure to send you a link over the next couple of days with a special price. If you're interested, cool, if you're not, no worries. Again, my goal, a hundred percent, the top goal is to make you money and right now it's just, I really believe this is a perfect product for a perfect market and I think you'll do really well.

So okay guys, that's it for me, thanks so much for listening and I'll see you in seven days, take care.

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