Frank Curzio's WALL STREET UNPLUGGED

Announcer: Wall S 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 September 12th. I'm Frank Curzio host of the Wall Street Unplugged podcast where I break down the headlines and tell you what's really moving these markets. You know, it's amazing how hurricanes get better ratings than the Super bowl. Everyone is glued to their televisions, whether it's the Weather Channel, CNN, non-stop coverage. Everything stops. No more politics, no more BS, just everyone talking about the hurricane. Watching it, even if you're not impacted by it. People in California are watching it. I get emails if I'm okay, we're okay. It's not going to hit us in Florida, northern Florida. Hit the Carolinas. You have Hurricane Florence, right. It's approaching. You have people reporting right on the beaches. They put these guys in the worst areas. It's crazy. Wind debris flying all over the place. People just love that stuff. They love it.

Frank Curzio: And now I've been living in Florida for eight years. It's pretty crazy to think it's that long, eight years. I'm more into now than ever. I know everything there is to know about hurricanes because we need to. Florida is ground zero for hurricanes. In the eight years I lived here, again it's northern Florida, we got nailed with two hurricanes thus far. The first one was 2016, Hurricane Matthew, pretty scary. Projected to directly hit northern Florida. My family evacuated two, three days prior and I stayed. I said just wait, just wait and with one day to go, it was going to hit our town. Our town was bring broadcast all across the nation saying this is where it's going to hit, and we live kind of on the beach about four blocks away, and there's a bridge there, and they actually said, look. If you decide to stay, you're on your own. We're not coming to save you. They actually said that. The mayor said that, and it makes sense when you think about it. We're not going to risk anyone and go over that bridge when a lot of people get flooded and we told you to evacuate.

Frank Curzio: That was enough for me because again 24 hours left and it was going to nail us. I left and we got really lucky. In the last 15 hours the storm moved north, mostly stayed off shore. We're lucky there wasn't that much damage. We lost electricity for like two, three days, debris every place, but no damage to our house. But it did drift, again, very very lucky. We had Irma last year which destroyed Puerto Rico. The Keys was insane, south Florida got nailed. Our family didn't need to evacuate since once the storm hits land it dies down. By the time it hit northern Florida, wind speeds weren't that great. A lot less compared to where it hit Puerto Rico and South Florida. More than eight people died from Irma. Cost fifty billion dollars in damage in the US.

Frank Curzio: But I know a few things, because Florence with 140 miles per hour wind speeds, it's about to hit the Carolinas. That story is scary enough. But the media, they love pouring it on. They love pouring it on. And not just the BS news organizations, trying to get page news, whatever. This is like Reuters, Zero Heads, Zero Heads you could expect, they always love reporting end of the world stuff. But they're reporting in headlines how US Nuclear power plants are preparing for Hurricane Florence. And there are like a half dozen nuclear plants that are in the path of the hurricane. Just to put this in perspective, I know 140 mile per hour, it's a major hurricane, classified category four, again, I know everything about hurricanes living in Florida, and I'll explain how crazy this is in a minute.

Frank Curzio: Fukushima, that nuclear plant that was damaged. That happened after 9.1 magnitude earthquake that caused a tsunami that had 50 to 100 foot wave surges that hit that plant anywhere from 400 to 500 miles per hour. To put that in perspective, that's around the say speed of a Boeing 787 Dream liner. That almost never, ever happens. That's totally different. I know the media sites need page views and they're trying to scare the hell out of people and be, I'm going to say it, I'd don't like cursing, but being ass holes. I get it. You need to make your money, fine. But this is the real deal. Florence is a major hurricane that's going to wipe out neighborhoods and cause deaths, and do you really need to pour it on even more with stories mentioning the word nuclear or radiation? Is it possible you guys just do the right thing for once, maybe publish stories that educate these people in the impact zone? Or maybe provide a hurricane survival guide? Just once, if you could just once, once. That's all I ask. Just once> I know it's a long shot. But come on, you guys gotta do better than that.

Frank Curzio: With that said, living in Florida you learn a lot about the hurricanes, especially if you have families. Reading stuff about hurricanes and being in one are two totally different things. If you want to put that in market perspective, it's like you being a retiree with your 401K and you're not working during the credit crisis compared to some young kid who has a model portfolio and sees the market crash. He's going to be like, wow, that's pretty crazy. When the 70 year old person who's retired is like, am I going to have to work? I don't understand. What am I going to do? You're living through those emotions because your money is invested. Your home price is crashing. You don't have, portfolios is down 50% and based on statistics which you know as a retiree, it's only supposed to last 30 years, now it's going to last 10. That's scary. It's a totally different event when you're in one compared to just reading how bad it is. And I've been in one.

Frank Curzio: I posted a video on Twitter yesterday, and this is from last year when Hurricane Irma was approaching. It was about six hours away. The wind speed, again it was dying down. It was about 35, 40 miles per hour at the time. And this is video 35 seconds long. You could barely hear me. I could barely hold my phone. Florence, Hurricane Florence, as of today, today is Wednesday, it's going to hit the Carolinas at wind speeds at more than 100 miles per hour faster than that, faster than the 35, 40 miles per hour that you see in that video where you can't even hear me talking in the wind. My hat's almost blowing off. My windbreaker is like blowing. It's insane when you're in it, guys. It's crazy.

Frank Curzio: So everyone living three, you need to take it seriously. During Irma, I stood on the dunes at the beach before it was approaching. There were telephone poles in the ocean and the water was so rough it was throwing them around like they were leaves, telephone poles. Foam from the tops of the waves was flying into my windbreaker jacket, nailing me. And they were filled with sand hitting my jacket. When I got back to my car, I had nicks all over from how hard the sand was hitting me. Little blood things, little nicks and stuff, that's 35, 40 mile per hour wind. When the wind picked up, I think we had the maximum of 65, 70 mile per hour, that was maximum, and we had damage every place. We had electricity our for four days, generator, our house wasn't damaged. Debris every place in every street. Everybody had to clean up. Again, it was pretty crazy. Some people had damage to their houses, to their stores. There were floods.

Frank Curzio: Remember Florence, expected to hit land at 130 to 140 mile per hour wind speeds. Tides are also important. The difference between low tide and high tide guys? Basically, the difference between whether your house is going to get destroyed or not. Irma, at its max peak, it was a category one storm, the eight hours it hit us the hardest, we had low tide. When I was on those dunes, the storm surge was up to the dunes and you could see the big waves out there. I wish I could explain it. I wish you could see it. I tried to take as many videos as I can. I was reporting live from the storm last year. If it was high tide instead of low tide, tons of houses on the coast would have been flooded, wiped out. Not mine, I live about four blocks away from the ocean, much higher ground, but a lot of my friends in the area live on the ocean. They would have gotten wiped out.

Simply based on the timing of the storm hitting us.

Frank Curzio: To put it in perspective, in New York, when Sandy hit in 2012, it was high tide. The storm surge flooded major areas even New York city downtown got flooded. You had 60 billion dollars in damages. And Sandy top wind speeds around 70 miles per hour. Florence tracking at 140 miles per hour right now with nothing in its way to slow it down before it reaches land. When it reaches land, it slows down but it's going to be too late.

Frank Curzio: Never heard of one million people ordered to evacuate. I have a lot of friends in the Carolinas. If you live north of that, don't be brave, especially if you have families. I'm telling you that because I'm exactly like that. I'm stubborn like that. A guy doesn't really worry about everything. The guy who usually stays when a hurricane is about to hit my town. Seeing these hurricanes first hand and being in one that's half as bad, less than half as bad as this one, be smart. Evacuate. It's only your house. You should have insurance on it. There's only one you. You don't get a do over if you die. If you're really that stubborn, like most men are between the ages of 40 and 70, we are, it's not about you, think about your families, the people that care about you, because they're going to [inaudible 00:10:31] if anything happens to you, especially if you got hurt doing something you could have easily avoided if you listened to the authorities and evacuated.

Frank Curzio: And more important, if you ignore the warning signs and stay in your home and don't make it out, if you're a lifetime subscriber, that subscription ends. You're done, pal, sorry no refunds. Our lifetime offers are based on your life, not mine. I know you're really going to miss getting my research more than anything, right? That's the most important thing. But in all seriousness, just be safe. Until you're actually in a hurricane, guys, you have no idea how powerful they are. It's insane. Just look at the video I posted on Twitter. It's not a way to get more Twitter followers, I really don't care about that. It's a simple 35 second interview, but my hat is barely on. I could barely hold the phone. You could barely hear me speaking through the wind gusts. And just keep in mind, that's 35 miles per hour. Again. Florence wind speeds minimum of 130, probably 140 that are going to hit directly, and it's going to happen over the next couple of days. So good luck guys, and please, please, please be safe.

Frank Curzio: Okay, let's move on. I have a great guest today, someone I interviewed only once on this podcast, and it was a little while ago. I got great feedback from you so I'm bringing him back on. This person is Chris Versace. I love that name. Chris is the co-founder and Chief Investment Officer of Tematica Research. He's got 20 years of experience in the investment industry. I know this, unfortunately, because I worked with him a while ago. We use to work at thestreet.com together more than 10 years ago and it was great to get caught up when I was on the New York Stock Exchange last year. I was ringing the bell with Frank Homes and his company Grow, which was awesome and Chris was on site. He was actually on TV and he said, hey Frank, what's going on? And we just caught up. He came to the podcast, and now pretty cool. Awesome. I got to get myself back to New York a little bit and back on the New York Stock Exchange sometimes.

Frank Curzio: But Chris also hosts a podcast called Cocktail investing with Lenore Hawkins who by the way I'm not going to promote this, but you've got to hear this, because I create the All-Star Portfolio where we take one pick from stock at first, I interview, sometimes I'll get him during the interview, I talk to the people before, after, and they'll come up with great picks. We always share ideas and I'm putting them all in a portfolio called the All-Star Portfolio and we track them. It's a great service. Lenore was on, it was June 27, less than two months ago, her pick, Universal Display, OLED is the symbol, it's up 60% in a little over two months. 60%. One of the best performing stocks in

	the All-Star portfolio, which by the way, All-Star Portfolio you get these picks from the world's leading stock pickers, the people I interview for $1 at AllStarportfolio.com. That's all it is for 14 days. If you don't like it, you can throw it out. If you like it, $5.99 a month. But 60%.
Frank Curzio:	Anyway, Versace has his hands full trying to compete with his partner Lenore, who's going to be awesome. Because Chris, he's a great analyst, and one where we can go anywhere, because he covers almost every sector, most stocks, just like a market junkie, he is a market junkie, just like me. We're going to share a lot of ideas with you. So, be sure to get pen and paper handy. It's going to be an awesome interview.
Frank Curzio:	In my educational segment, I'm going to recommend a sector or should I say industry, not really a sector but an industry. There's only a handful of stocks in this industry, that has huge upside potential. It's an industry that's going to surprise the hell out of you when I mention it because it's one I never recommended before. You're going to think I'm crazy because many people believe this industry is dying a slow death. Remember we heard the same thing about oil in mid-2007. Oil was around $4 a barrel. It's going to $10. Yeah, okay. 70, 65 70 today. The same thing about big box retailers late last year, right? They're dead, they're dying, it's over. Now, what, one of the top performing sectors. In 2018 everybody loved the retailers all of a sudden. Right? It's going to be an awesome segment I'm titling, Don't Believe everything You Read. So I'm going to share this industry and a few stocks I like in it in my educational segment in a few.
Frank Curzio:	And speaking of stock picks, let's get to my interview with the one and only Chris Versace. Chris Versace, thanks so much for joining us again on Wall Street Unplugged.
Chris Versace:	Well, Frank, thanks for having me. You know it's not only great to be with you again and your listeners, but it's

always fun to have the tables turned, because usually I'm doing what you do.

Frank Curzio: On what? Go ahead, you're a podcast with Cocktail Investing, right? I mean, it's great that you're in it. Feel free ... no listen, you take the time to come to podcast. We can plug your podcast. It's very good.

Chris Versace: I know. I know. I was hoping to do that a little later, but yes, I appreciate that. That's the Cocktail Investing podcast where we quote unquote distill all the everyday noise into clear investing signals. You've had my partner on, Lenore Hawkins, whose our chief macro strategist. And she's tops.

Frank Curzio: We're going to get to that in a minute because it's going to be a really cool mini-segment inside of this, when I bring that up. But first I want to talk to you about the markets in general. I'm sure you're getting emails, I get emails, people are worried. They're like, it's the longest Bull market ever now, depending on what stats you look at, but most people, it's one of the longest Bull markets ever, if not the longest. Everyone's like, it's going to come down. When you look at valuations, we're not crazy high, again a lot of that is from tax reforms, it's 16 times forward earnings. We're looking at a market that earnings are growing, right? More than double digits. Economic indicators look great, but we also saw the same thing in 2006 into 2007 and we know what happens today. So what are you telling your clients now? Are you finding great ideas? Are you looking at macro things like inflation which I think is a bigger risk then it has been probably in the last 15 years. I think it's not really talking about. Is it the Fed that you're looking at? Interest rates? What are some of the things that? Let's talk about the macro first.

Chris Versace: How much time do we have for this answer?

Frank Curzio: I know, it's cool.

Chris Versace: So, I mean, there's a couple things you touched on. One is the direction of the market. Look, the economy is growing. We've gotten a bunch of different stats over the last couple weeks for the August data, so we're getting now 2/3 of the current quarter's data, really, and so far, so good. We're still in expansion mode. I, too, am seeing what you're seeing on the inflation front. When we look at the prices paid numbers, ISM manufacturing, ISM services. Even today as we're taping this, we go the August PMI data which the talking heads are like, oh the first decline in one and half years. But I think you and I and your listeners know that that's total BS because if you look at the core over the 12 month, you're up something like 2.9%. So inflation is definitely baked into the system.

Chris Versace: I do have some concerns about that. One is, does the fed begin to feel that they might be behind the curve which means all of the sudden as we're taping this, we've got likely two rate hikes ahead of us in 2018 and then a couple more in 2019. Does Powell and the Fed begin to think that yeah, we're behind the curve. We've got to ratchet up the number of rate hikes. And the reason I get a little worried about that is one, we've already seen the housing market start to slow down in terms of mortgage applications and we know that there are issues inherent in that market where because of shortage constraints, prices have gone, and this is a technical term, bonkers such that the number of people who can afford that down payment who are straddled with credit card debt, auto loan debt, student debt is not all that robust and the cost on those houses will be even higher as interest rates tick higher. But also for the consumer as interest rates tick higher, their debt service cost will grow as well and my concern is yes, we had a good August employment report when it came to wages, but as you know, Frank, one month does not a trend make. So I am a little concerned about the consumer as we go into the back half of the year. More so in 2019, to be honest.

Frank Curzio: And it's funny because in 2017, late 2017 we saw that retailers, big box, they're troubled, they're dead. Now it's like one of the flavors of the month. Target came out and said it's one of the best environments for consumers that they've seen. And now the same people who were calling for the death of big box are like, you gotta buy the sector now. It's kind of, and you know that because you've seen these people. You're on the stock exchange. You're all over TV and stuff like that, but it's just kind of funny where, how does that translate into individual investor. Right? Because we're programmed, everybody's programmed to really buy when you're excited and buy high and almost sell low when you're panicking, and of course we've done this and we've made mistakes before doing it for over 20 years each. How do we translate that message or tell the individuals I know you're seeing a lot of great data, but it could be a really good time to take some profits?

Chris Versace: Yeah, okay, so there's a couple things in there. The first one, let me just get it right out of the way. We at Tematica do not believe in sectors. Okay? Having been a Wall street equity analyst much like yourself and having done this for a long time, the notion of, hey pick the best sector and buy that may not give you the most optimal exposure that you want to what's really going on in the world which is why we look at the world thematically at Tematica and we're looking at those shifting landscapes of demographics, economics, technology, psychographics and a few other things.

Chris Versace: So we're always looking for the change. If you go back to, I don't know if you, what degree of math you took, but I and Lenore Hawkins, Sanford U, we were both double majors math and economics. So we talk about the rate of change or the impact of change and when we look at what's happening in retail, I would say, hey, it's great that Walmart is catching up. I've always thought they would be a good number two behind Amazon. We're seeing that with target and others and we're seeing other companies that still can't figure it out. Look at Rite Aid and Albertsons, a deal that totally fell apart that really should have gone through if it weren't for the percentages of what the controlling company would get versus the target, but that's what we look for. So we're always looking for those changes.

Chris Versace: So right now, when you take a look at retail, the one that I like, just given to what I said earlier, about the consumer for consumer is Costco. And Costco has been killing it, killing it whether it is their monthly same store sales reports which have been stellar, or you look at the fact that they're opening up more warehouse locations and that's driving the all-important membership fee income. A lot of people don't realize this, but that membership fee income not only separates and insulates Costco compared to a Target or a Bon-Ton or some of these other names, but it is a significant piece of its EPS generation, so it's kind of a win-win there for them. But if you think about what they do, they're helping consumers stretch their dollars. It's why others like TJ Maxx and its portfolio have done extremely well.

Frank Curzio: Now it's interesting you said a couple things there. And let's take Costco for an example, because you're a Chief Investment Officer, Chief Investment Strategist, and I know you have a partner in Lenore who's a great macro strategist, so when you're looking, and you gave a lot of factors that you look at and changes you said and how do you play that, is there anything in particular? Is there more factors that are more important than others? You're a junkie like me and look at everything, but sometimes there's just little things that I need to see that makes me look further. Like for example, you're looking at Costco and you see a forward PE of 31 and a lot of people would be like, wow, that's expensive, but there's a reason why it's trading at a premium, because they're growing and just to be clear guys, Apple was trading at 50, 60 times earnings 12, 13 years ago. Celgene, Netflix was 100-time earnings.

Those stocks are up thousands of percent. So, is it growth? Is it top down? Is it just everything that you see, but talk a little bit about, which I like to get with my guests is how did you pick Costco out of every single other retailer?

Chris Versace: Well, one it was that membership fee income. That was a real differentiator for them. In some respects, you could ...

Chris Versace: ... income that was a real differentiator for them. In some respects, you could liken it to Amazon Prime, where people pay their money once a year, and they have that great cashflow, but they're opening more warehouses, and that's the key to driving that membership fee income.

Chris Versace: Some of the data points that I look at, which I think are pretty telling, it's one thing to go, "Oh, Costco's same store sales were X." Okay, so you're tracking during the quarter, but that doesn't really tell you how they're doing relative to the rest of retail, right? I prefer companies that are growing faster than the market. I prefer companies that are growing their margin structure faster than their peers, or at least the peer average.

Chris Versace: When we dig into Costco, the great thing is not only do they give us same store sales, but every month, we get the monthly retail sales report, and I can thumb all the way through and look at the line items that I need to see, and more often than not over the last year, Costco has been killing it. It's easy to kind of say, "Okay, I know they're winning. I know they're growing their profits faster because of that membership fee income. Now I have to wrap my head around the multiple."

Chris Versace: To be fair, Frank, I've had to boost my price target on Costco one, two, three times already this year, because they continue to outperform, and not just by a little bit, but by robust numbers.

Frank Curzio: Now, let's move into some other sectors and things, because I know that cannabis is always a topic that's on the fence-

Chris Versace: Yes, it is.

Frank Curzio: … but listen, I mean, there's clear benefits. The science has definitely changed. You're seeing lots of states approve it recreationally. Tons of states, I want to say more than 35 of them have it for medicinal. Not only is it good for the government where they're generating revenue on something that they can't stop anyway, that everyone's going to do, it just makes sense that more states will probably approve this, and there's a lot of companies that are finally starting to benefit.

Frank Curzio: Also, as you know, Chris, there's a lot of crazy companies in this industry. People just trying to make a buck because it's a hot industry. How do you separate real from fake, and is this an industry you cover? Also throw in there, do you get negative feedback from clients sometimes covering a sector like this?

Chris Versace: Well, to be fair, again, we're talking … one of the things that I look for is change, okay. We can talk about the change in retail, we can talk about the change that Coke and Pepsi are going through, trying to put sugary beverages and artificially sweetened beverages behind them towards healthier snack and drinks, or at least snacks with Pepsi, mostly drinks with Coca-Cola, but you're talking … The way I look at it, is what's going on in the tobacco industry? It's no secret that tobacco continues to be what a lot of people call sin stock, or what we call a guilty pleasure stock.

Chris Versace: What are we seeing? We're seeing pack volumes decline, prices go higher. Great for investors, because that's great for margins, and these companies tend to pay out dividend increases, fantastic dividend increase by the way, on Altria, that gives it a dividend yield easily north of 5%. I think the stock will move up as a result.

Chris Versace: But when we start seeing companies like some of the alcohol companies dip into cannabis, that's when I start to get interested. In our podcast a couple weeks back, we actually spoke with someone in the cannabis industry, and I asked the question that was percolating on my mind, is, "How long until big tobacco gets into cannabis?"

Chris Versace: To me, one, it legitimizes the industry. They have the marketing to the extent that they can do it. They have the manufacturing and the distribution to really move it national. The pushback was they are probably going to. The issue was going to be when is it legal in all 50 states, and there's no longer a federal issue?

Chris Versace: So to me on cannabis, I think it's extremely interesting. I think Altria just said the other day that they are eyeing the cannabis industry, so for me it's kind of on the periphery, but it's one of those areas that I agree with you that once the cuffs come off, so to speak, I think it's going to be ... the stigma will be removed and it'll be a growth industry for sure. I just think that some of the companies we're seeing today are going to get snapped up, and candidly, I am not ... I can't believe I'm going to use this, Frank, I apologize, deep in the weeds.

Frank Curzio: Love it. Love it, love it, love it.

Chris Versace: I am not deep in the weeds with that, so for me, I'm just looking to play who benefits as a potential consolidator. Right now, I really like Altria, especially since there's some news out that e-cigarettes are going to take it pretty hard on the chin. I think that's going to prop the big tobacco stocks up.

Frank Curzio: Makes sense. And you said something that's really important there, Chris, where at the federal level ... so marijuana's not approved on the federal level, meaning that you have ... most banks are not going to take payments, right?

Chris Versace: Yes.

Frank Curzio: Even if it's legalized in the states, in Colorado, Oregon, wherever, Vegas in Nevada, they could technically go there. I mean, it's tough doing business when you're not [inaudible 00:28:12] because now you have a lot of cash payments. I mean, I hear things in Colorado where there's trucks of money, and whatever.

Frank Curzio: Now, let's switch to another industry, which is gambling, because now they just came out, right, or at least I think it was in May, the Supreme Court ruled that the states could basically license themselves, or they could offer gambling in every single state, and also sports betting, which is a monster industry.

Frank Curzio: Now, since there's change, and you probably look at things like this, especially because the Supreme Court or something could change an industry immediately, and if they make a change, they could literally create a $100 billion industry with a signature. Is this something that's on your radar, because there seems like a lot of change there too?

Chris Versace: So it has been, and in particular one of the stocks that we own was MGM Resorts, so we were looking at that. Then candidly, I think some of the numbers kind of turned over in Macau in Las Vegas, the monthly numbers that come out where they report on Nevada gaming, also moved lower. Candidly, we were stopped out.

Chris Versace: I've looked at this on the periphery, but where we're seeing I think the opportunity that we're focused in on, not that that's not an opportunity, is we're really trying to figure out where our clean living investing theme is going. I say that, because when you look at Pepsi buying Soda Stream, Coca-Cola snapping up a coffee company, you look at Coca-Cola bringing out a Dasani Free Machine, where you can get water or bubbly water for free, but if you want flavors you have to pay for that. We look at Cava Mezze Grill taking out Zoë's Kitchen.

Chris Versace: There is a huge, huge push towards this healthier eating, and to me, the companies to watch and net, yes, there is Pepsi, there is Coke, there is General Mills, there is Kellogg. The other one though, is Hershey, because they are a snacking company, right, but they've made a couple acquisitions. One was KRAVE Jerky, and then earlier this year, and I have to get a little careful. I'm not overly promotional, but they made a hero out of me when they bought Amplify Snacks, which is the company behind Skinny Pop.

Chris Versace: So it's watching these things from the periphery. Just to bring us back to an earlier question, these things, these changes, just like the one at Walmart we referenced, they tend to be nip-and-tuck acquisitions, kind of slow. As you know, Frank, once these transformations get past a certain point, they really start to whip, and when they do, there's a significant leverage that comes to the forefront.

Chris Versace: You asked me earlier, "How do you deal with all the headlines, and all the 'Hey, you got to buy this now?'" What I try to do as best I can, kind of block that noise out, and focus on what's growing the business, changing the business, poor decisions by other companies. Before we were taping, you were talking about the home run stock pick that Lenora shared with you, which is Universal Display, ticker symbol OLED. We were able to see that change happen 18 months ago.

Chris Versace: We were first getting signs that Apple was going to finally move into OLED with the iPhone X. Even before then, there was a lot of rumblings over what they were looking to do, but if you know some of the constraints on the phones where a traditional LCD backlit screens take more power. OLEDs are emissive, less power hog. There was a sense that they were going to go this way. To me, the one change just on the mobile front, and I apologize for dragging this all over the place like a dog with a toy-

Frank Curzio: Not at all.

Chris Versace: ... is 5G. I think that's going to be one of the more interesting changes that we have coming up. Changes to business models, and probably usher in the next big iPhone upgrade cycle.

Frank Curzio: Yeah, and I have to share a story with you really quick, because I realized the change in Coca-Cola early on, because when I was younger, I played basketball like crazy, and one of our friends decided to start a company, this was a while ago, and he said, "You know, hey, we need drivers for our company." I was like, "Come on, I used to play basketball. What are you doing? Get out of here." A couple people took him up on that. That was a long time ago.

Frank Curzio: The company he started was Vitamin Water, which he sold for $4.1 million to Coca-Cola, so Mike Repole, so which really ticks me off. So you know you want your friends to succeed, but you don't want them to succeed that much. You know? It's a little bit too much, but good for him. But the water that water companies, you're seeing it at coffee. I mean, yeah, it makes sense.

Chris Versace: Water, coffee, tea, you're seeing huge pushback at Starbucks over those fattening, or high calorie, I shouldn't say fattening, Frappuccinos. They are now pushing cold brew, and some other quote, "skinnier," beverages. They even Starbucks of all places, is going to bring out their own line of kombucha.

Chris Versace: There's a lot of change going on, which is to me, it's interesting, because those are the opportunities that you and I might talk about this stuff, we're paying attention to it. It's getting in ahead of the curve, so when the mainstream does start to talk about it, you're kind of well positioned for it.

Frank Curzio: I want to ask you one more question before we get some of your stock picks, because you mentioned about Costco, and you said one of the things you love is look, that they have that fee that you need to pay, and you see these transitions taking place, but it all matters about the stock price, right? Like OLED, the timing was absolutely perfect. That's a stock that really came down a ton before it really went up a lot.

Frank Curzio: Costco was collecting these fees forever, so what other factors do you look at in terms of the right timing for this, because you're in ground zero of information, right? You're on Wall Street, you have tons of contacts, you hear a lot of things, just ideas coming across your plate all the time.

Frank Curzio: The timing, how do you get that timing right where OLED, it made sense even six months ago, but when Lenore, she came on, that pick was just at that time, it was absolutely perfect. You can't get it exactly right, but is there something that you look at in terms of price, where maybe something's factored in, or maybe something's not, and it gives us time to execute?

Chris Versace: Yeah, so why don't I try to answer this maybe a little differently than you asked it. One of the issues that I always see is people kind of valuing the company relatively short-term, and by that I mean even now, it's September, people are starting to look at what 2019 earnings might look like, and I recognize that with 2019, we've got … when you look at the S&P 500 you kind of have to figure out, "Okay, what's the economy growing at? We've got tax reform rolling off, there's the impact of buy backs, and that other stuff."

Chris Versace: When you look at companies, I like to go 2019, 2020, and not that I'm expecting to nail the EPS for 2020, but I want to have a sense of what are the drivers that are going to allow the company to continue to grow, and can they achieve that? Then even then, I'll tend to haircut it back, but I think the other issue that people tend to do is they go, "Well, historically it's traded at a P/E of X." I think you know as well as I, Frank, that P/E is an interesting valuation tool. It is certainly not the only valuation tool, and I think you need to know what tools to use, just like a good carpenter does, when you have a situation in front of you.

Chris Versace: "Do I got to pull this nail out? Do I got to hammer this screw in? What do I have to do?" For certain companies, like a Coke, a Pepsi, a McCormicks, for example, or even Altria as I mentioned earlier, these companies are dividend dynamo companies. You can look at historical P/E where they peaked, where they troughed, but you can also look at dividend yields, forward dividend yields, if you can kind of ballpark where you think they might increase their dividend to.

Chris Versace: Of course, you have to check the dividend payout ratio first to make sure you're not too high, but these are the type of things that we look at. Also, too, for some of these transformation companies, like a company formerly known as TASER, Axon Enterprises, which I think this will probably be my pick, but I think it's an interesting story, because they're going from tasers to body cameras, but the real juice in the business is the cloud-based service that they have on the back end, evidence.com, that allows them to search and transfer all of that video … what's the word? Video evidence securely.

Chris Versace: To me, that's a subscription business model, so they tend to get higher multiples. To me, I think that's an interesting business that says, "Wow, if they can grow this business, perhaps a better way to think about it is either a … some of the parts valuation where you would look at components for TASER, and who their peers are, and then you look at the cloud-based service business, and who some of those peers are, and then kind of come up with some of the parts valuation.

Chris Versace: You could also do a PEG valuation. Just you got to be mindful that you need to know when the cloud based business is really going to kick in, because currently, it's a little bit of a drag on the overall profit margin. Quite a bit there, huh, Frank?

Frank Curzio: No, no, it's great, that's great. I was going to say, where are the places that you're seeing change in? What other places or some stocks that you ... throughout the whole podcast, you gave us tons of stocks, so.

Chris Versace: So Axon is one. I really like that. We just reconstituted our thematics, so we have 10 investment themes now, and that one is the one that we've selected to be what we're calling our thematic leader for that investment theme. I think that is something ... that stock will be one that ... like any stocks, it can be a little volatile in the short-term, but I think if we're looking 12 to 18 months out, I think now is a great time to buy that stock.

Chris Versace: The other one that I'll mention, which I think this is a great example, and I think your listeners will gravitate to it is Disney. You might say, "Disney? Chris, what do you mean? It's movies, it's theme parks. What are you talking about?"

Chris Versace: To me, and this is the if, if Disney can get their own streaming service up off the ground, and garner subscribers, that is the sea change not only in terms of how they deliver their video content, but it becomes again, a subscription business model. A lot of cashflow, all right? That means that you'll have to break Disney down again and revalue the company. That to me is interesting.

Chris Versace: Again, they haven't really ... I think January's when they're going to start doing this, but when you look at their content library that's out there, it's pretty robust. I think they're going to pull a bunch of content, like some of the Marvel movies and the Pixar movies from Netflix, and all the stuff going forward that they might have shared with them in the past will go onto their streaming channel or their streaming network. So I think that is something to watch. If that happens, I think the way people look at Disney entering 2019 could be very different by the end of 2019, most likely 2020.

Frank Curzio: It's interesting you say Disney too, guys, because ... I'm talking to the audience here, is when you look at that streaming service and you say, "Why would they take it off Netflix?" because they get huge fees for their content, they have one of the biggest libraries out there next to Time Warner, but you bring up a good point, because there are cable companies that I saw that signed with Disney already for their streaming services, and Netflix is a direct competitor of the cable companies.

Frank Curzio: So now, with a great library, right, content is king, you could have these guys actually bid for your content. So it's pretty smart the way Disney operates. I'm an ESPN, you're a sports fan, I'm a sports fan, I'm not too crazy about what's going on there. You got to watch a 30 second video to watch Steph Curry dribble through his legs for 10 seconds, but it's just the money generation, the money flowing in right now, and you see it reflect in the stock price. I mean, it's come back a lot. It is an interesting pick.

Frank Curzio: You said Disney, and you said something interesting, because you're like, "I know it's Disney," because I recommended Amazon to my subscribers around 900 a year ago, and people don't pay me to recommend Amazon, they can find it on their own, but this is after me doing tons of research on every single cloud company, I mean, really digging in for months and saying, "No one's even in the ballpark, and no one's going to see more growth than this company, and this is incredible outside of everything else they have with IoT, and Alexa, and Smart Homes, and stuff like that."

Frank Curzio: But you brought up a good point by saying, "But it's Disney," and I know. Is that a hard sell for your clients, because sometimes when we have our ... they want to come to us to find things that they can't really find, but sometimes the best places are right in front of you, where Disney could generate 30% in a risk-adjusted basis. That's awesome, but yet it seems like some people like, "Well, you know, I could have got that on my own."

Chris Versace: Yeah. I think what people want is either they want new ideas that they haven't uncovered before, so like a Universal Display for example, maybe an Axon, things like that. But I also think that they want you to look at things with your particular strengths, your investment mosaics, and say, "Look, you know, you own this," in the case of Disney, "you should hold it, and here's why."

Chris Versace: As far as Amazon goes, another one, right? Yes, it's very obvious, I think, to some folks that, "Oh, we're going into the holiday shopping seasons. Amazon is going to be a beneficiary." Some people don't know that Amazon has AWS, which is the ... most likely the operating profit generator for the company that funds a lot of what they do.

Chris Versace: But there's other opportunities in there too, and to me, when it comes to Amazon, I mean, we've got a 2250 price target on it, but I see them benefiting from continued cloud adoption. I see them continuing to garner share in the retail market. At the end of the day, what I summed up, is Amazon's strength is removing friction from transactions. No matter what business you're in, they're excellent at it.

Chris Versace: To me, what I get most excited about now is no, it's not a potential federal win of size with the Pentagon for AWS, it's not the international expansion, although that could be very important longer term, to me it's the pending acquisition of PillPack that gets them into online pharmacy. That is a game-changer, and it's a huge opportunity for them.

Chris Versace: One of our investment themes is the aging population. You think about having your recurring prescriptions come to your door through the power of Prime, and it sticks with that notion removing friction.

Frank Curzio: That definitely makes sense, that makes sense. Now, if somebody wants to learn more about you, they want to find you, your Twitter handle, things like that, how do they do that, Chris?

Chris Versace: Yeah, yeah. Yeah, so the easiest thing to do is Tematica Research. That's where we've got premium products. Lenore's weekly wrap, we've got our podcast there. As far as Twitter goes, it's @__chrisversace, and that's pretty impressive, Frank.

Frank Curzio: Any TV appearances coming out, because I know-

Chris Versace: Ahh, no.

Frank Curzio: ... Yeah, I see you a lot. You're out there a lot, and you're a modest guy, so feel free. You're a guy that doesn't promote himself, and those are the guys I actually love to promote, because ... Yeah, you are out there a lot, so.

Chris Versace: Well, I appreciate that. We do the podcast every week. We've been doing a lot of Cheddar with those guys, so usually when I'm in New York on the floor of the exchange, they're great. TD Ameritrade Network with Oliver Renick, great, great webstream show. I probably have some Fox Business coming up, and some other stuff, but the other one that I can tell you is every Monday and Thursday morning on the radio, I'm on the Matt Ray on America's 1st News.

Frank Curzio: Awesome. You're a bigshot now. I'm surprised you came on this podcast.

Chris Versace: Oh, stop. Stop.

Frank Curzio: We have to pay you, Chris.

Chris Versace: Stop. No, no, no, no. What I enjoy about these conversations is it's just that. It's a great conversation. Sometimes when you do these TV appearances, one, the question you get asked is oftentimes not the subject that's coming in, and the other nice thing about it is if I'm talking to you, I don't have to worry about if the president all of a sudden cuts us off, and I've got to sit there in studio for 40 minutes wondering, "Am I going to get on the air or not?"

Frank Curzio: It's a process. You have to get there an hour early, you got to wait, they've got makeup, all of this, and they have to put makeup on you.

Chris Versace: Oh, they need a ton of makeup on this face, who are you kidding? What I was going to say though, it is true, and I think it's one thing that people who are not on don't necessarily recognize, which is you might be on for ... like if you're doing ... pick a network, you might be on for five or six minutes, and the issue with that is just what you said. You've got to be in the chair 15 minutes beforehand. You've got to get the makeup on. You got to be there early, and you got to get there. So I mean, what some people might think of as a five or six minute video hit, can take, depending on how far you've got to go, two hours, two and a half hours.

Frank Curzio: Yeah, I know it is a lot. You know as well as I do too, sometimes-

Frank Curzio: Yeah, and it is a lot. And you know as well as I do, too, sometimes...like the questions do change. I'll give you a list of topics and some things they might strike you news and you're a guy that covers everything so they'll ask you. That's why they probably love you as a guest but it's two to three minutes sometimes. And a lot of anchors like talking more than their guest which is why I love the podcast. I know why you love doing podcast cause I actually get to listen to you for twenty minutes or 20-30 minutes, their ideas, and you get to speak. I think that's why these podcasts work. I'm so glad that you guys have one up and running and it's doing well.

Chris Versace: Yeah, I appreciate it. To me it's the notion of getting into a deep conversation where you can go back and forth and pull the skin off the onion, as it were. Whereas two or three minutes, five, six minutes you're not gonna get that deep.

Frank Curzio: Absolutely. Absolutely. So, Chris, listen thank you so much for taking the time again. You just talked about your busy schedule and you take time to do this podcast, share ideas, share your methodology of picking stocks. I got a lot of great feedback last time you were on the show so it's gonna happen again. So thanks so much for coming on bud.

Chris Versace: You got it my man. Thank you.

Frank Curzio: Hey, it's great stuff from Chris. I mean, good friend, guy that knows the markets, a guy who's always gonna share ideas with you. He's humble which I love because he should be more arrogant. He's a really good analyst and in all fairness with Leonor, Leonor's more the macro person but they both...that stock pick comes from both of them but of course I'm gonna tell no, it came from Leonor a hundred percent instead of 50-50.

Frank Curzio: But it just shows you the All-Star Portfolio and what I'm trying to do for you guys. You trying to find a really good price for that at allstarportfolio.com where you can get, I'm gonna choose one of those picks. I talk to Chris exactly which picks he thinks are in buying range and then we'll throw that in the portfolio and you're getting a list of picks outside of the ones I just recommend.

Frank Curzio: Sometimes it'll include shorts. It'll include crypto-currencies, just all over the place. Different sectors, it's incredible. Right now portfolio is doing really well. A lot of the stocks are taking off and I'm glad cause that's why I created that portfolio to have the best stock picks that some of these guys get paid thirty thousand, forty thousand dollars for. I'm not kidding. Cause some of these guys are hedge fund people that you're gonna have at your fingertips for a real cheap price. And a lot to choose from.

Frank Curzio: Chris did a great job. Love him. Let me know what you thought. The podcast is about you not about me. Let me know frank@curzioresearch.com that's frank@curzioresearch.com and let's move on to my educational segment.

Frank Curzio: You know how I feel when it comes to the media. I'm just...they amplify stories, they promote, I mean, to put it in perspective a past journalist reported the news as it happened. They'd visit the sites in person and interview sources and report the facts. Of course, it was always the most controversial stories that moved to the top of the page. I mean, if there's a murder, someone killing somebody if that compared to say fourth graders starting their own charity, you know which story that they're gonna publish and move up to headlines, to the top of the page.

Frank Curzio: But the reporting used to be fair and balanced and today, there's not a major media company I can think of that doesn't have an agenda. Just try watching Fox News or MSNBC. I'm not ragging on these things. But watch for 30 minutes you'll see exactly what I mean. Some media outlets are not even reporting the facts anymore. They're promoting random events as trends like an Ebola scare or encouraging groups to hate each other, right? Democrats and Republicans you can't be one or the other without hating each other now, right? Like, there's no compromise. Therein presenting unreliable research in place of scientific evidence.

Frank Curzio: So you look at things like the anti-vaccine movement. I mean, that was pretty crazy with Jenny McCarthy. Again, I don't want to get too political on this but a lot of people didn't vaccinate their kids and now you're seeing massive cases of measles pop up and stuff like that all because of a report. A lot had to do with a report that was kind of false, right? That was retraced. But look, that's a story so let's promote this every place and there's a lot of power when it comes to not just the media but you're looking at shows like The View, if it's Oprah Winfrey, if you gotta go on Larry King. Which, you know, again, Larry King's not there but the vaccine thing was going crazy with that.

Frank Curzio: Different talk shows and you get celebrities behind you like what we saw with Al Gore. I mean the world was supposed to end right now. Is climate change an issue? Of course it's an issue but did you really have to scare the hell out of us and cite facts that aren't true? So you gotta be careful when it comes to the media. I'm not ragging on them. What I'm saying is you want to use it to your advantage cause if you're smart and you understand how the media works it could help you generate huge profits.

Frank Curzio: If, for example, how many stories you read about market crash is eminent and this is since the credit crisis. The US dollar's gonna crash, ATM's are gonna run out of cash and people are going to riot in the streets. We have stocks at all-time highs, the SP500 is up over 300% since 2009 lows. So if you just ignored everything and the noise you'd be doing just fine.

Frank Curzio: I brought up with Chris late 2017 how big box retailers it was supposed to be over for them. They were dead. If you go back and read the headlines it's incredible. Now everyone's buying retailers and department stores. It's great. One of the best [inaudible 00:51:21] out there. So, ignoring a lot of this stuff while reading it, look it's easy to get lost in it, right? That's why I was pissed off at the beginning when they were reporting about nuclear plants. Guys, it's a story already. You have a major hurricane, one of the biggest that are going to slam into the coast. It's gonna be really ugly and you're reporting about nuclear plants. Like, come on.

Frank Curzio: So, you want to try to use that to your advantage. And you do that by doing the research. By uncovering what's real and what's not real because a lot of times stocks get hit because the media's all over them and there's a lot of stuff that they're amplifying. They'll say all this crazy stuff. You had a chance to buy Facebook at 160, 150 when it came down from the testimony. I know a lot of you hate Facebook and I get emails all the time I'm talking about the stock pic. My job is to give you stock picks just like Chris just gave you Phillip-Morris.

Frank Curzio: My dad passed away from cancer. It's not personal. My job is to give you great stock picks. So, Phillip-Morris, great dividend you would did great over the last fifteen years. Now, my point is, there's another sector that the media's really, really not destroying but just publishing false data on. It happens to be the cable industry. Now I'm putting my personal feelings aside, you know how I feel about Comcast, right? If you owe them ten dollars they have fifteen people call you ten times a week. But, if you need something done you have to go through an automated system forever. They could do that cause they basically have a monopoly.

Frank Curzio: You might say, well, AT&T who had fiber, they're rolling out fiber. Well, it's not as fast as cable. It's not as good. They're still early. You have Fios and Verizon, yes that's rolling out. But no matter what you want to do in streaming you need the internet connection and that's where the cable companies have that cable going directly to your house.

Frank Curzio: People say, "Well, cord cutting is going to crush the industry. It's gonna destroy it." And it's funny when you hear that because when you look at the statistics, that's really not the case. So if you look at cord cutting, right, it's basically a term used to describe people who are canceling their cable TV services. Instead they're gonna watch their favorite movies, television shows, everything else via the internet which is streaming. So, if you go into google right now and go cord cutting you're gonna see 300 million results. And a lot of these stories highlight how cable companies are at risk of losing tens of millions of paid subscribers every year which is gonna crush them.

Frank Curzio: Now, if you look at the industry and paid TV. So it's paid TV losses and you look since 2013, 2017, 2.5 million people cut their cord. 2.9 million people. Now some articles are going to highlight how cord cutting is up close to 90% over the past year. And they're right cause from 2016 there was about 800 thousand that cut the cord. In 2017, last year, it is 1.5 so you have 1.5 million that dropped off due to cord cutting. So yeah the articles are highlighting how it's up close to 90% a huge percentage. Other articles are gonna say how cord cutting accelerated as a paid TV industry which is cable, telecom, satellite providers they saw record subscriber losses.

Frank Curzio: These statements are actually true but you have to look under the hood a little bit. Because when you look at the actual data it suggests cord cutting, and it is a worry, it's not a disrupting trend that is going to lead to the death of cable companies. For example, the data shows 2.9 million households no longer pay for TV and this is since 2013. It's from 2013 to 2017, right? 2.9 million which is right. This includes people who canceled their service or never subscribed again after moving into a new home over the past five years.

Frank Curzio: However, there are still 96 million households that pay for TV in America. 96 million. And we take the 2.9 and it amounts with three percent decline overall in five years. Is it a decline? Yes. Is it disruptive? No way. It's not disruptive. If you read these stories you would think otherwise. Now you're probably saying, "Frank, come on, it is disruptive." I'm talking, looking at the data.

Frank Curzio: So another overlooked fact about cord cutting is when you look at the statistics, and there's one particular call, the average revenue per user ARPU, very important metric for subscribers in anything that has subscribers, average revenue per user. This basically is the average price subscribers are paying every month and specifically this case it's for cable. Now, the average revenue per user, now when subscribers are going down has consistently trended high for the past ten years.

Frank Curzio: So they're able to charge more money. Why? Because they're offering faster internet speeds and you really don't have a lot of options. Some places you might be able to choose your cable company or Verizon or maybe AT&T. I chose AT&T in my neighborhood and they promised me speeds that are definitely not the speeds that they promised. If I had to do it again I'd bought Comcast even though I don't like them. I know they have a monopoly. But, you have to use them. You could say anything you want, you can get mad as you want, you have to use them unless you don't want to go on the internet. [inaudible 00:56:41] to broadcast this podcast.

Frank Curzio: You have to use them. So the fact that their speeds are getting even greater and they're improving their speeds, they're charging more money. And yeah they'll throw you in a bundle no matter what and say, "Well, internet is 50 billion dollars a year but if you get the bundle which includes phone, internet and TV we'll charge you 135 dollars a month." So you have to get the bundle this way the cable companies are going to pad their stats and show that phone lines are still growing when everyone kinda uses their cell phone these days and not too many people have that direct connection. Dial phones, I had a friend actually put that on Facebook and her daughter was trying to use the phone that you dial and had no idea what it was or how to use it.

Frank Curzio: It didn't seem that long ago but I guess it was. But anyway, getting back to the point here. This explains why if you're looking at cable companies right. The average revenue per user is 89 dollars a month in 2015. This grows to 92 dollars in 2016. It's 94 dollars in 2017 and so far in 2018 it's up again. So it actually explains why cable companies, while losing a small percentage of subscribers due to cord cutting, continue to report very, very strong profits year after year.

Frank Curzio: But their stocks if you look at them have gotten hit. You could say well, look at Charter or look at Comcast. I mean, Comcast is trading at twelve times earnings. Charter Communication is trading at a little bit higher valuation but you have to remember, these guys are generating so much free cash flow. And when you look at cable companies you look at cord cutting and say, ugh, and you look at their debt and say, ugh but you have to look at their debt as well because they might have tens of billions of dollars in debt but you want to see when it's due.

Frank Curzio: A lot of that debt is not due for the next five to six years. Maybe 20% of it and that's easily encumbered by the free cash flow they're generating. That's why what are they doing with this free cash flow and it's getting bigger and bigger cause they're charging higher and higher prices cause we don't have a choice cause they have pricing power right. It's a very big point when it comes to stocks. If companies have pricing power that's huge. If they don't you're gonna see profits and margins always go lower and lower and lower. That's why AT&T is getting out of the wireless business which is smart. And Verizon is kind of late to the party.

Frank Curzio: So whether you like what AT&T is doing or not the choice is stay wireless, get 90% plus revenues on that and then you have to deal with these free plans, you get phones for free, you get all this data from Sprint or T-Mobile or the Straight Path or whatever. Now, they're getting more into the content industry, the advertising industry. Taking over DirecTV, Time Warner. So now AT&T comes into every single home in one way or another. Either you have the services through internet, DirecTV, or you Watch HBO or something.

Frank Curzio: Now they have distribution and they're combining that with one of the biggest content providers in the world which is Time Warner, throw in advertising and you can see why AT&T is exciting. Is it gonna be difficult this transition? Absolutely, they're changing their business model. So AT&T is probably gonna get this. They're gonna report but the fact that-think Facebook at 35-40. It took them a while to figure it out. I said the same thing. I told you to buy Facebook at 40. Again, I've talked about my losers in the past. And I said some are gonna figure out they're gonna figure out because they have billions of people on their platform. Which is amazing, on one platform. They'll find a way to monetize that. I said the same thing about Twitter when it was at 16-17.

Frank Curzio: Somebody will find a way. Remember they called for Jack Dorsey's head. "He's terrible, he's horrible." Look where Twitter is. Look where Square is. Yeah, he's really horrible. That guy doesn't know what he's doing. How many people called for his head? They figured out Twitter. AT&T will figure it out. It could take longer than expected. I hope they get rid of their dividend because they're a growth company. They're gonna be a Google. They're gonna be a Facebook. They're gonna be an Amazon.

Frank Curzio: That's what they're looking to do instead of being a Verizon which is just focusing on a market that's extremely competitive. And again, we're talking about domestic, right? Do you know anyone that doesn't own a phone that's over 16 years old? It's all pricing, pricing power. Cable companies do have pricing power. Not only that. They saw the streaming risk coming. Just like if you look at pharmaceuticals with the patent cliff. They saw it coming. They knew their drugs were gonna come off patent. I read a stat the other day which is crazy. Like 80% or more of the drugs that are approved are basically forms of an existing drug. It's not even a new thing. So they're combining whatever, Lipitor with something else. This way you combine them. It shows better results and you get another patent on it.

Frank Curzio: So it's nothing that revolutionary, they need to generate profits. But, good for them from an investment point of view. Cause they saw the risk coming, they invested small money in biotech, they started increasing their dividends and look where Merck is. What happened to the patent cliff? Look at the defense companies. They see it coming they see what divisions are gonna get cut and they move into divisions like drones and services where they're gonna see the most revenue.

Frank Curzio: Defense companies, man, look at those things. I thought they were in trouble. Same with cord cutting guys. You want to look at these stories, you want to look under the hood. Three, four percent decline in the entire industry over the past five years does not sound like a disruptive trend. But if you read the media that's what you're gonna see. It gives you a good opportunity to buy some of these cable companies which are trading at cheap valuations and are gonna generate massive amounts of cash flow.

Frank Curzio: Which means what? They're gonna buy the crap out of their stock. They're gonna start lowering their debt and they're gonna issue special dividends. There's a couple of them doing it. Does it sound familiar? Cause it sounds like the airline industry to me. Remember the airline industry and Buffett said, "it's horrible." Once they got their business model on track and realized that hey, we're a necessity, people need us, we're a monopoly. Nobody could go into Atlanta and create a new airport, a new runway, a new terminal.

Frank Curzio: These guys have pricing power. And what happens in this industry? Now they generate so much money. Their debt levels are lower than ever. Their stock prices are rising and they're still dirt cheap. So it's an industry I haven't really focused on. Again, I putting my personal feelings aside. Cable companies, good investment, pricing power, gonna generate tons of cash flow. And also, getting back to my point of how they're adjusting they created their own streaming services.

Frank Curzio: So if you look at them, they see the risk cutting, all this cord cutting nonsense. Guys, just go in and dig in. That's how you make money. Cause you have stories that you looked at pushed stocks lower just because it's so easy to change people's minds these days. It's so easy to condition people. If you're watching a certain channel you're gonna get their opinion, you're gonna hear only what they have to say and they know it.

Frank Curzio: I'm gonna tell you something, these guys write a certain way to keep your attention. They have headlines written a certain way to keep your attention, to make sure you click. It's a formula. It's a system. They know how your brain operates. They know what you're gonna be excited about. They have all these statistics. They have all the data. They have all the algorithms. They know what you're gonna think before you think it.

Frank Curzio: So they're able to control your thinking but try to take a step back and say, "You know what, let me look at the numbers and see what's really going on." And if you did, you had a great opportunity to buy oil stocks. A year ago, like 2017, when they said oil prices were going down to ten. All the supply, supply issues, China's come off line. They didn't talk about our growing economy. They didn't talk about that. No producer could really make money with oil under four dollars a barrel. Yes, there's certain wells that perform [inaudible 01:04:21] I visit them.

Frank Curzio: But also, there's tons of supplies coming off the market under forty and what happened? So prices come down. Prices have no place to go but up. So now you have our economy growing really fast. You have limited supply. And it's just a recipe for prices to go higher and look where they are now. Same with retails, same with defense. Same with pharmaceutical and you know what? Same with cable companies.

Frank Curzio: So, guys, if you're a subscriber to Curzio Research Advisory, I just recommended a cable company that I would say 90% of the people have never heard of. And there's reasons for that. I'll bring it up so I'm not gonna give it away. But it's a lot cheaper than Charter and Comcast actually is about 20-25% discount to the industry. It's a company that if you looked at the fundamentals it looks expensive. If you look at debt you'd say I'm crazy. But people do not understand the story which I explained and people are gonna understand the story probably next year. Just like they understood with Phenom which is Viper Energy which we bought, I want to say 17-18 at 120% gains on it over the past probably 17-18 months or whatever.

Frank Curzio: Nobody understood now everybody recommending the stuff like crazy. We're gonna see the same thing, I believe, with this cable company that I just recommended. And that issue is gonna be available to Curzio Research Advisory members today. I hope that when you're reading this, it should be in your email.

Frank Curzio: So guys, lots to cover there. Great interview. And I always say this, podcasts are about you, not about me. So, let me know what you thought at frankcurzioresearch.com that's frank@curzioresearch.com and guys that's it for me. Thank you so much for listening. Guys, be safe with Florence. Be very, very safe. I'll see you guys in seven days. Take care.

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