



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: What's going on out there? It's September 26th. I'm Frank Curzio, it's the Wall Street Unplugged podcast where I break down the headlines and tell you what's really moving these markets.
- Frank Curzio: I'm so crazy busy this week. And for Curzio Venture subscribers, you're going to be getting your September issue today. Awesome pick, probably has more risk than any stock maybe than I ever recommended. But also has more upside than any stock that I've recommended. So very high risk, super high reward play. Amazing story. So if you're a subscriber, be sure to check your email today. Working on that issue really hard the past couple of weeks. Lot of research.
- Frank Curzio: Also working on a real deal for Curzio Research, and a game changer for us. Expecting a launch in November hopefully. Talking to lawyers, accountants, everything. Don't worry, I'm going to tell you all about, share every detail since it has to do with you and how we plan on growing the company long term. So I'm really excited. It's unique. Not trying to build it up in any way but just making sure I dot all my Is, cross all my Ts because it is one of the most sophisticated things I've ever done. Any deal I've ever been a part of. Trying to get as much advice as I can before we really launch this thing. Again, I'll show you details. I'm not trying to build it up but I can't really talk too much about it. It's something that I'm very, very excited about. Taking a lot of my time.
- Frank Curzio: Also just on the research end, there've been things coming out. I mean, economic data is everything. No matter where you look there's positive earnings, growing of stuff at all-time highs. Trying

to find some good ideas for your research sectors. Those international marks, I've been researching a ton which I'll talk about a little more in my educational segment. It's later on.

Frank Curzio: And do my podcast as usual ... So pretty crazy busy on the work-end but this is nothing. I'm talking nothing compared to how busy I am getting ready for my daughter's eight year old birthday party. Which hosting my house on Saturday. And anyone who owns their own businesses or works tons of hours at their job ... anyone that you know that the biggest responsibility a man could ever have or the job he better ever, ever absolutely never ... And I won't curse here, but say mess up is his daughter's birthday party.

Frank Curzio: 'Cause not only will your daughter not speak to you for weeks but your wife will actually make your life a living hell probably for months and probably deservedly so. Especially if those screw ups are directly tied to you as a dad. I mean, if she messes up you're probably still going to get yelled at. And maybe she'll be mad at you for a week unless you point out that she actually made the mistake. Then she's probably going to get mad at you for about two and a half weeks. I have a whole chart of this that I've learned over the past 40 years that I write down, just trying to figure things out. But it's pretty cool. Wife's been really busy doing so much.

Frank Curzio: But getting back to the busy part, I mean ... The list of things I have to do by Saturday, it's like three times longer than the list of things I did at work for the month of September. Including writing three newsletters, taping eight podcasts, answering hundreds of emails, writing alerts. It was at least a 100 calls, more than that a month. It's crazy.

Frank Curzio: Companies, lawyers, accountants, other analysts and stuff like that. I mean, it's nothing compared to this. Nothing!

And what I have to do for my daughter's party which can include around 15 of her friends with their parents. I got a huge water slide we can throw in the backyard and talk about 18 feet ... that's how big is. Really big so also adults can go on it which is awesome.

Frank Curzio: And we have this for I believe two full days. 'Cause you can only rent these things for like two to three days. It's so expensive to do just for one and it makes sense to do longer ... It's kind of like the Comcast business model, I guess. If you try to call Comcast and say, "Hey, I just want internet only." They're like, "Oh, it's going to cost you \$55,000 per month." But if you get on triple play with TV and landline phone that they know you're never, ever going to use ... then it's only going to be 199 a month. Perfect deal. Just for this month we're offering this special which turns out to be more like \$260 a month after the fees for each box they charge. And, "Oh yeah, you want the high definition?" Which should be standard but it's not with them ... Anyway. We'll get to the Comcast rant.

Frank Curzio: I'm glad I have this thing for two days 'cause after everyone leaves on Saturday, what do you think I'm going to do on Sunday? Go on this thing like 100 times before 1:00 p.m. and watch the Eagle game. Then go back on, slide another 100 times at 4:30 p.m. probably. Invite a couple of the adults over.

Frank Curzio: Because I have slippery slides, of course I have a basketball court in my backyard. I played basketball all my life. That's very normal for me. You get rid of the food, drinks, ice, all this stuff ... take care of it. And when it comes to drinks, right, I mean it's ... I've explained this before where I live in. It's religious there. Which is cool, my kids actually go to a religious school. But most of the kids' parties that I go to are nice. They're cool, kind of conservative, people laughing ...

Frank Curzio: My party has Bud Lights, wine for everyone. Please drink

responsibly. You get lit up a little bit, you can crash at my house with your kids. Or I can call an Uber for you, whatever you need. It is a Saturday and everyone should have fun on Saturdays, right? So you know ... let's have fun. Have a great time.

Frank Curzio: I also have to get the cake, help clean the house on Friday after work, during the party I'm going to have to hold the garbage bag open for my daughter when she throws out the wrapping on ... probably those 20 gifts that she's going to get that's she's ... if I had to guess, will no longer play with after one week. You know, tons of stuff like that we have to do, right?

Frank Curzio: It's cool. It's my job, it's every dad's job. Just to be there for your kids, for your wife, especially during high party events like your daughter's eight year old birthday party. You know, so it's a time to be completely unselfish.

Frank Curzio: Even though you're working like crazy at your job, making sure you're getting things done at your job ... even though I'm going to rush home to help our wives with anything that she needs, even though when everyone gets to that party and walks in and everyone ... they're not going to go to me. They're going to go directly to my wife and tell her, "Thanks so much for inviting me. It's so beautiful, it's awesome. It's a great party." Whether they like it or not, they're going to say that.

Frank Curzio: Even though for my daughters, I'm not even going to exist that day, right? I mean, it's my eight year old daughter's birthday party but her friends have brothers and sisters around the same age as my oldest daughter who is 10. But I'm not going to exist to them ... unless they need something like, "Daddy, could you lower the basketball hoop, so the 10-year-olds can dunk or fix the hose on the slippery slide to make it more slippery?" Or give them a Capri Sun before they're crashing down an 18 foot slide. I mean, you're just in the background hanging out doing a

ton for everyone.

Frank Curzio: I just want to one day ... Wouldn't it be cool to say what's on your mind sometimes? Just say, "Hey, you know what? This is my house. This is party is taking place because of me. I'm working hard to pay for this thing. That's my freaking water slide. That's my water slide." You'd like to say that out loud. You can't though, right? 'Cause you'd get ... you know, forget it. You'd just like to really express those feelings. Raise your hand and say, "Hey, I'm over here." Get a little bit of attention. We all like to get a little bit attention, us dads.

Frank Curzio: But for this, we're kind of just in the background making sure everyone's happy. In all seriousness, the most important thing to me and every dad out there is that your daughter has the best party ever. She's going to laugh like crazy during the whole day. And for me, I want to do something absolutely crazy that she's going to remember for the rest of her life which would be awesome. I mean, that would make for a perfect party for me.

Frank Curzio: But I do have to give a shout out to my wife, right? She's doing tons of stuff, getting this thing ready, and I get it. Also we do tons of stuff too as dads. Which is awesome. Just to get this beautiful event going, which is going to be absolutely, absolutely awesome and I can't wait. But I'm crazy busy so usually I say, "Hey if you have any questions, comments, email me at frank@curzioresearch.com." Don't email me this week. I'm not going to answer you because I am crazy busy with everything going on. I want to have this perfect party. While I do love you guys, my wife is the boss especially this week and I don't want to mess anything up. So wish me luck. And if you've got any questions or comments, I'll get back to you on Monday.

Frank Curzio: But it should be a very awesome party. I'm really looking forward to ... Anyway.

- Frank Curzio: I have a really great interview for you today. The markets are trading at all-time highs. Even terrible companies are going higher, making it difficult to find new ideas to short. And I wanted to bring in in-house analysts, great short seller Michael Alkin.
- Frank Curzio: Michael writes Moneyflow Trader. It's a newsletter at Curzio Research. It's a short newsletter where he uses conservative option strategies, which will probably take any amateur investor about five minutes to learn which limits your risk. And what he does is he uses options strategy to take advantage of stocks that fall in value. But in a market like this where everything is hitting new highs, it's not that easy.
- Frank Curzio: But Mike's going to tell you what he's looking at to prepare. Because even what I'm seeing in this market with all this economic data, it's absolutely perfect and awesome. Earnings growing faster than they have in what? Three, four, five years. Home prices continue to rise. I can keep going. I'm going to break this down later in my educational segment.
- Frank Curzio: You have to ask yourself, how much better can it actually get? I mean, expectations are so high from someone's who's been doing this for a very long time. Not being a permabear, permabull ... which I'm going to repeat that a lot with Michael during that interview which you'll hear in a minute.
- Frank Curzio: I've been doing this for a very, very long time. When you see that pendulum swing all the way to one side and you're on that side, watch out. 'Cause right now, consumer confidence is record highs. Stocks, record highs. Everything going great. And yeah, it could continue but ... Mike's going to tell you what he's looking for that could result in that tide changing. And we could see it as early as three weeks when companies report earnings for the third quarter. So it's going to be an awesome interview where

he is going to also break down Tesla from a way that you haven't heard before.

Frank Curzio: If you're subscribed to his newsletter, the amount of research that he's done on this is incredible and he's going to talk about things you're not reading anywhere else on Tesla ... or hearing about any place else. Which is why I love this.

Frank Curzio: And when you hear, you're going to know why. Tesla is in trouble. Not now. Maybe the stock goes higher, we say. If you wanna compare to Tilray, I mean ... Tilray the marijuana company which went to \$300 a share. I mean, man. The market cap for that was insane. Multimillion dollar market cap but now it's around 100 and just ... 40, 30% moves back and forth going crazy. Look, eventually the numbers matter. Eventually the fundamentals matter. Eventually you can't go on Twitter and just say anything you want even though it's not true. And when you listen to Mike's take on this, it's going to be very interesting. 'Cause even the bulls who just say, "You gotta believe in Elon Musk," it is in numbers.

Frank Curzio: It's more than just believing in somebody because a lot of stuff that's going on right now ... and when you look at it, like yeah. He describes is basically Finance 101. We're not talking things that are being hidden or anything crazy. If you're just looking at the fundamentals, you're looking about what's going on, you see the competition coming down, it's really scary for Tesla. He's going to break that whole thing for you and also share one of his favorite industries that he likes, that he believes you should buy right now that it's dirt cheap, totally out of favor. And it's starting to see pretty good growth numbers. At least as of last quarter.

Frank Curzio: So it's going to be a fantastic interview coming up. Then later on in my educational segment, I'm going to break down the numerous positives ... somebody just mentioned

that we're seeing in the market's economy today. And why you should be worried.

Frank Curzio: And not only that, I'm going to highlight one place you should really start researching, looking to invest your money in right now. Because something positive just happened in this country for the first time in 27 years. I'm not kidding. It's a huge data point. It's not something that's ridiculous. I couldn't believe that this is the first time that this country's seen this in 27 years. It's a place I'm going to start allocating my own money to in the coming weeks and months, and I'll tell you exactly how to play it. So fantastic educational segment coming up.

Frank Curzio: And before I reveal the name of this country and how to invest in it, let's bring in my buddy. 20 year plus hedge fund veteran Michael Alkin.

Frank Curzio: Mike Alkin, thanks so much for joining us again on the podcast.

Mike Alkin: Hey Frank, thanks for having me buddy. How are you?

Frank Curzio: Ah, I'm doing great. Thanks so much for doing the interview 'cause I love getting your thoughts from time to time. And you are always on the road, right?

Mike Alkin: Yeah.

Frank Curzio: [crosstalk 00:12:58] works on Curzio Research. You're always on the road. You're in the city right now and you're like, "Hey, I'll definitely do it." The interview. And I know you're always in meetings and stuff, which is great. Trying to find good ideas for your subscribers.

Frank Curzio: So I appreciate you doing this. That you're in a lobby in a New York hotel right now, which is awesome. [crosstalk 00:13:12]

Mike Alkin: -I apologize. If you hear background noise ... there's literally a window that they're trying to fix and there's 18

maintenance guys here trying to do it with walkie talkies. And like I was saying to you offline, it's like you think they're trying to re-engineer the building.

Mike Alkin: And it's a window about three foot by three foot that needs a little bit of fixing. So ... There's a lot of background commotion. Which is okay because I spent the last two and a half hours in the car driving into Manhattan to go 19 miles. So it was just a great way to start the day. I'm very excited.

Frank Curzio: Yeah, I don't miss those days. That's for sure. I don't miss those days. Working at Wall Street and ... yeah. That's pretty crazy.

Frank Curzio: Well Mike, I love having you on from time to time. 'Cause right now we're in a market that is booming, right? And you write a newsletter that's ... You teach people how to short ... unbelievable short ... newsletter writer and you've been doing hedge funds for years. You'll pay tons of money to find the best ideas that you actually don't like.

Frank Curzio: Now we're in a market that's really booming. For me, I'm kind of nervous where I see almost everything when you look at economic data, it's booming right now. Consumer confidence, you look at housing prices still going up. I mean, everything across the board. And you know as well as I do that when you've been in a market like this ... and we're both not permabulls or permabears. But it feels like, "How much better can it actually get?" 'Cause there are risks out there.

Frank Curzio: And that's why I think it's going to be fantastic in market ... But how do you deal with it now? Because you're seeing booming stock prices. It doesn't matter if the company's good or bad. How do you deal with the short stocks? 'Cause it can't really be easy but yet you know that there's going to be tons of opportunity coming down the pipeline. Right?

- Mike Alkin: Yeah, Frank. It's a really good question. You have to balance the fundamentals versus the sentiment. And it's hard sometimes. As I look right now, I look ... For instance, you look at the consumer staple center. Something like 75 or 80% of the companies have seen a decline in their earnings expectation for the year.
- Mike Alkin: So, think about for this quarter. I mean, that's a significant amount of companies that the analysts are taking their estimates now, right? So your job as an analyst, as a stock picker is to find companies that you think the direction of estimates is what's going to drive stock prices. Which I do. Then you're looking for those industries and companies where you're seeing [inaudible 00:15:40] is ahead of itself. And estimates have to come in and you combine that with the fundamentals of the existing company and you look for the ... whether it's revenue growth, the earnings growth, the market compression. And you're looking for that. And sometimes though you'll see that and it just doesn't matter, right?
- Mike Alkin: So that's where you have to say, "Okay." So what do you do then? Well at the end of the day, you are paid ... let's say you're in the hedge fund and your paid to have short exposure. Well, you have to do that. You have to put on short exposure.
- Mike Alkin: And sometimes you just have to weather through those tough times. And everything comes down to risk, reward. If I'm right and the estimates go down to where I think they should, where should the stock go? Okay. Well if I'm wrong, this is going into a position. If I'm wrong, where could my numbers be wrong? What's the upside to that? And how much higher can the stock go?
- Mike Alkin: So now you have a scenario where sometimes you have a situation where the estimates are coming in, yet the stock prices aren't coming down. And there, from a risk, reward standpoint, if you've put the proper position on you're

looking at, “Okay, my risk if I’m wrong is ‘x’ percent higher.” Well so [inaudible 00:16:53] some comfort that if the estimate’s going in the direction I thought, but sentiment or money flowing into this sector is taking it higher, then I’m still going to commit to the trade but I might start it smaller. And I have to scale into the position even greater. Like when [inaudible 00:17:07] short, I’m always scaling into a position. I’m not putting a full position on.

Mike Alkin: So, if I planned on putting 2% of the portfolio in the short position, I might start at 50 basis points and work into it. Because you’re typically early and you recognize that ... and you’re averaging down, if you will. Except averaging up on a short.

Mike Alkin: But it could determine how you position stocks. But at the end of the day, fundamentals will rule the day. And so you just have to manage risks, and manage risks is by if you’re being a little bit smaller or by scaling into it over a longer period of time.

Frank Curzio: And Mike, you also manage risks by the option strategy you use. Could you talk a little bit about that? Because a lot of people think, “Wow, you’re shorting it,” and of course you have to borrow. Right? Which is a killer. Not only are you borrowing, but at the stock ... We could talk about Tesla which I know that you’re one of the ... I don’t know anybody personally. You probably do, you’ve done more research on this where you really think eventually this stock’s going to be in big trouble. And a lot of people believe that.

Frank Curzio: But again, when you’re looking at options, you’re putting a time value on it, right? So you can still get killed especially if you just go short. If you’re short and this thing just goes the wrong way, I mean ... you have unlimited exposure in going what? 1,000, 5,000, 10,000. [crosstalk 00:18:19] ‘cause that limits risk as well.

- Mike Alkin: Sure, sure. So, there's a tradeoff. So if you short the stock, your risk is there's no [inaudible 00:18:30] to it, right? It can keep going as high as it can be. If you're wrong ... you know where your risk is. That's zero.
- Mike Alkin: But if you're short, if you keep going up now ... A way of mitigating that is you can buy some [inaudible 00:18:44] on it. And that's really betting that the stock prices is going to go down within a certain time period. And if you're wrong, you'll lose ... Let's say the stock isn't making enough numbers. The stock is straining at 50 and you're [inaudible 00:18:58] put to expire one year at a \$40 strike price. And a year from now, it's higher than 40 or higher.
- Mike Alkin: And your [inaudible 00:19:11]. But it helps you quantify your risks. So if you're an individual investor and you said, "Okay, I think I'd like the risk, rewards. I think it's a reasonable possibility that this stock goes below based on the analysis and I'm willing to risk \$2,000 in that put position. But if I'm right, you're going to get leveraged to that." If I'm right, you'll see as the stock price goes down and it breaks through there, you're going to see ... Without getting into a whole option discussion here, but you're going to see the option [inaudible 00:19:44] make it significantly higher to the upside.
- Mike Alkin: So, there's this trade off where you're trading off the unlimited dish potential, but you have time working against you. Right? So it's time dated ...
- Frank Curzio: Yeah. And I love that, right? Because when you are using options, a lot of people who are not familiar with this market ... One, they're nervous or feel like they can't do it. Yes. This is an option strategy that would take you less than five minutes to really learn. And it also limits your exposure to the amount of money you're putting into it where you don't have unlimited exposure by showing the stock.

- Frank Curzio: I want to talk a little bit more ... because you're someone who also looks at conference calls, earnings, dig deep. Your friend's an accountant. Some of the things that I've learned from you are incredible. When you really dig deep into the [inaudible 00:20:28], 70 emails that say, "Frank, do you see this?" Or, "Did you look at this?"
- Frank Curzio: And it's kind of amazing. What are you seeing right now with earnings? 'Cause for me, what I'm seeing is companies ... One, it's kind of amazing that Jaime Dimon and Warren Buffett came out of this whole thing that companies shouldn't give quarterly guidance, right? So say what they're going to do next quarter because it provides short term ... just short term nature. The incentives aren't as great for CEO to focus on long term. Whatever the reasons are. But this quarter, I don't know if you saw this stat. I think it was a record amount of companies did not provide guidance for this coming quarter.
- Mike Alkin: Yes, I saw that.
- Frank Curzio: And for me, I'm like, "This isn't like a Jaime Dimon thing or a Warren Buffett thing. Or this isn't companies ..." For me, this is ... CEOs are on the sidelines saying, "Okay, what's going with the trade war? Is this stuff really going to happen again? We're still not really staged to this."
- Frank Curzio: Also, every conference call I listen to, they talked about higher costs. They talked about wage inflation which is surging right now believe it or not with ... what is it? 3.2% quarter, the largest increase since 2007 for wages where it makes sense, right? Mike Alkin, you know as well working in New York ... there's not a lot of jobs out there. And if you want to hire somebody, you're going to have to pay a lot of money to take them away from wherever they are now. What are you seeing in terms of earnings? Since we're looking at 20% expected growth, 10% expected growth and sales, and expectations ... I don't think have ever been higher than I've seen. At least in the last 10 years for stocks.

- Mike Alkin: Yeah. That's a really good point, Frank. First, you know [inaudible 00:22:03] Jaime Dimon, and Warren Buffett coming out and saying, "We don't think they should be closing the earnings."
- Mike Alkin: And the fact that we're seeing less earnings after that ... I don't think anyone really is listening to [inaudible 00:22:13] Warren Buffett and Jaime Dimon's advice on that. I think CEOs would prefer not to have quarterly earnings, but it's an institution [inaudible 00:22:24]. So think about it. You managed Curzio Research, right? It's a very rapidly growing publishing business. But every day, there's probably a new fire to put out. There's something changing. The business is fluid, it's not static.
- Mike Alkin: Now imagine running to any one of these public companies. And they have to put earnings guidance out to the penny. Think about that. You've got ... you're a mid-sized company, you're a large company. You've got businesses all over the world and now you're in 10, or 20, or 30 different markets in 5 different or 10 different industries. And now you have to say, "Here's what our earnings are going to be to the dollar," or to the penny.
- Mike Alkin: I mean, that's a massive undertaking. So if you think about that and think about just how comical that is to be able to do that and get your budgets right ... you're sitting down to CFO and all those division heads are sitting there making the sausage, right? And they're having a guide in Wall Street. Because it's been this way for decades. What are the expectations? That's what moves stocks.
- Mike Alkin: And so now you're having to manage your business. And it depends ... what other things as an investor I like to know is how is the sausage made. How are those numbers made? Is it made from a top down approach? Does it come from the CEC suite, the CEO, CFO pushing it out to the field saying, "This is what Wall Street expects of us. This is what we need to put to keep our earnings multiple. This

is the growth we need to put up.” And match the numbers ... you better go find that business. Or does it come the other way around? Does it come from the bottoms up? Does it come from all those reporting divisions in the field and all those sales people in the field pushing that up through the districts and the regions and then to the divisions and to the heads? And saying, “Here’s what our business outlook looks like. This is what we know from being in the field. This is what’s doable.”

Mike Alkin: Sometimes there’s a disconnect. If it comes from the top, the field may say, “Hey, wait a second. We can’t do that. That’s not achievable.” Right? But when companies guide Wall Street that it should be achievable ... our stock typically is going to go down.

Mike Alkin: So that pressure to perform quarterly ... because the big institution’s want to know every quarter what’s going on, right? Now if you’re in Europe every half year, you get a report. But even some of those European companies will put out quarterly numbers but they’re not required to. But here they’re required to put out quarterly numbers and that has led to quarterly guidance.

Mike Alkin: And what that does is ... is it causes financial engineering to occur. A lot of times, the numbers aren’t as straightforward as you think they are. There can be myriad reasons. If we look back over the last decade coming out of the global financial crisis, revenue growth was something I think we’re going to see 7, 8% this quarter if that holds true to what the estimates are. But you couldn’t get revenue growth if you tried to buy it the first few years coming out of the global financial crisis.

Mike Alkin: So, the way companies were able to show earnings growth was by massive cost cutting. So you had tremendous cost cutting through your SGNA, [inaudible 00:25:31] general administrative line. That’s code for firings, right? So you had a lot of that and then you started to see a little bit of

growth as the years went on. But then even that started ... You start to anniversary, you call it lapping. You start to lap these things. And when you do ... you run out of revenue growth opportunities, you run out of cost cutting opportunities. What do you do? Well [inaudible 00:25:52], many companies have them. You go out and you borrow a lot of debt. And with that debt, you go out and buy back your stock. And now you've added that to the balance but you're paying hardly any interest rate for that money-

Mike Alkin: Added that to the balance sheet but you're paying hardly any interest rate for that money, but you're reducing the share count which, by definition, will make your earnings go higher, all things being equal. So, you've seen a lot of financial engineering, and they're not financial engineering just for the sake of doing it, they're doing it because they're under very big quarterly pressure to do it. So now, as we fast forward, you've had animal spirits, you've had the tax cuts, you've had deficit spending, starting, as of November, you get the tax cuts, now you've had deficit spending and you've had earnings growth of mid 20% and this quarter the expectations are for 19%.

Mike Alkin: If you think about that, those are massive earnings increases. Now, fast forward, start looking at next year, earnings growth is expected to be about 7, 8%. I hold a view that stocks trade on rate of change. So as you start to think about the things that are going into what makes the stocks go up ... typically rising stocks are not good for stocks. And you're starting to see rates go up, the 10-year was close to 3.1%. Now we can say well that's very low compared to historically, but it's rate of change that matters on a year over year basis. And so you've got that taking place, you have rates going up, just what you've mentioned, you've seen wages going up, you're seeing inflation starting to peak. If you listen to conference calls, General Mills came out a couple of weeks ago and said, oh yeah, we're able to pass on some prices but we're dealing with raw material increases. Well, if you're a packaged

goods company, it's going to be really difficult to pass on a lot of price increases because there's so much competition and everyone's fighting for that consumer. That puts pressure on numbers and when they're sitting with expectations of 20% earnings growth across the board, that's a big number and it's not a Goldilocks scenario. So I think there's more risk to the downside.

Frank Curzio: Now here's the \$61,000 question because we see this risk and for me, I'm looking at this market where I'm still bullish at least over the next few quarters, but when I see ... I mean, the economic stuff that I'm seeing is just blowing it out of the park. I could cite like another 100 ... it's getting to the point, for me, I'm looking at going how much better could we actually get where expectations are so high and I guess we've heard ... We're not parables, either of us are ... and we've heard about, for the last eight years, how people are just going to say the market's going to crash 50% to sell whatever they need to sell, but I don't want to say when exactly is this going to happen, but maybe what's the catalyst? Is it going to this earnings season where this earning season, again, expectations are high and maybe earnings are really good but remember it's all about the guidance and maybe some companies that do report guidance, might be a little nervous going into the holiday season ... going in saying we're going to blow it out next quarter. Remember, retailers got destroyed this time last year after they reported. Right, they said that's when they got destroyed.

Frank Curzio: But it's just kind of amazing to me that I'm waiting for that ... not the ticking time bomb. I don't think everything's horrible, but you know when we looked at the NASDAQ real quick before it crashed, a lot of people thought it was overvalued in 1998 and then people forget that from 1999 to the peak in March 2000, it doubled. So it's ... What are the catalysts, I guess, that you see that would trigger a lot of this stuff?

Mike Alkin: Good question. I think the skill set of the management team and how they communicate the message is really important for companies. Let's take out the biggest most ridiculous company that I can see from an investor relation standpoint and stock price standpoint, the biggest disconnect between price and reality is Tesla, in my view. So let's take that out of the equation where good is bad, I mean bad is good. Bad means good in criminal investigations, good ... civil investigations, SEC's in there, that's good, stock price goes up. There's a disconnect, and that will have its day and I think it's much sooner rather than later. But let's take that out of the equation where you have a CEO barking on Twitter anything that comes to mind, regardless, fact based or not, so if we look at regular companies ... you know, a lot of it is massaging right now, is how do we deliver the message. So as you're going through, you set your guidance earlier in the year and one of the things I use, I use Bloomberg and as I look at my Bloomberg terminal ... there's a pretty cool function I use, it shows the earnings estimate charts and you can see how they're progressing throughout the year and it's one of the things I pay attention to.

Mike Alkin: It's the direction of estimates and sometimes what you start to notice, when I look at companies that I'm considering maybe on a short side, I'm looking to see where the estimates were a year ago for this coming quarter or the next two quarters and where are they now. And you can see, the companies I'm looking at, you're seeing many of them have moved down meaningfully. It could be 3%, 5%, 7%, where the estimates are quietly ... they're just being locked down. And those messages get delivered in nuanced ways by management teams. They get delivered at conferences that occur, not during the summer, but they occur in the fall, they occur in the spring and then in late through early summer. They occur on earnings calls where the management teams, the more sophisticated ones, are very adept at talking about some

of the challenges the business is facing, the pressures they might be facing while they keep the focus on the long term and they're always going to make the decisions that's right for the long term business so if they need to look out a quarter or so, and make ... if, in the next quarter or so, there's a little bit of a hiccup, they're doing what's best for the business.

Mike Alkin:

Some management teams with long and storied track records, Wall Street will buy it hook, line and sinker and they will go for it and they don't punish the stocks. Other ones that have less good track records, it could be the same type of scenario, the same type of movement down, and they'll tend to see the stocks, those get punished. And so I think that's part of it. Another thing, Frank, is you gotta remember the time of year, so we're coming into a third quarter right now, now your third quarter, most mutual funds have October 31 year ends, right. So if you are a mutual fund manager, and you've been underperforming in the index, this is when window dressing takes place. This is the period of window dressing. And that is, many of them have underperformed the indices and now you're starting to talk about bonuses for these guys.

Mike Alkin:

You're starting to talk about ... How are they benchmarking against their peers? How are they benchmarking against the indices? In some cases, it's career risk. So what you're starting to deal with then ... and you tend to see the winners get taken up, the bigger ones that have been winners during the year, they'll go out and buy them and they buy them in size. And they do that because when they have to write that annual report at the end of the year, they want to show their top positions and the top positions being some of the ones that have been real big winners for them. And conversely, the ones that have been losers, they're going to kick out. So if you took your top decile winners, and your bottom decile losers, those tend to move in the month of October very strongly

in the same direction they were doing.

Mike Alkin: In terms of what do I think, my personal view, Frank, is I'm seeing as I look through the companies I'm seeing in quick cost rising, there is some ability to pass on pricing but a whole heck of a lot because competition is so great. I see that many companies have balance sheets that have added leverage to it because stock buy backs have been a big number. And you've seen that help earnings, so I'm just more cautious on it because I think that the rate of change, the direction of estimates is to the downside, not to the upside.

Frank Curzio: Now I want to put all this that we said, because we've covered a lot of things and people love their stock picks, right, and they want to see this really ...

Mike Alkin: Sure.

Frank Curzio: Let's talk about Tesla and when we talk about Tesla I want you to pretend we're not talking on a podcast right now and I'm in your house, we're hanging out and I just walked in and ... Man, you gotta see this ... but I want you to be real with everybody because the points that you bring up with Tesla are things that you're not going to hear any place else and some of the things that you brought up to me in the past ... Again, everybody knows the production problems and stuff like that but you have pointed out so many emails from customers, that customer service where these people prepaid for cars and they're not receiving them and they're not even getting responses back from ... they're having trouble getting those cars out the door.

Frank Curzio: You talk about competition, which you've been researching where tons of amazing new [inaudible 00:34:59] vehicles are hitting the market over the next few years and also the tax credits too. So talk about a couple of things that really, that you talked to me about, it just blows my mind but again, it's all about timing and maybe if the stock goes

a little higher first but eventually this is going to nail the sock I think.

Mike Alkin: For me, I will say in my 20 plus years in this business and my first 10 years as a dedicated short seller, really, I've never seen quite anything like Tesla. It's different now, too, because you have the advent of social media and back in the early 2000s when you had your Jeff Skilling's and your Dennis Kozlowski's in the world and we're talking Enron and Tyco and Adelphia Communications with the [inaudible 00:35:44] and WorldCom. You didn't have CEO's with 23 million followers and you didn't have that type of thing so it's much lower profile even though it was called high profile at the time but it tended not to move in real time.

Mike Alkin: You know when I think of Tesla, I applaud Elon Musk. I certainly wouldn't know how to start a car company and have the vision that Elon has with respect to these businesses he's started, internet banking, online banking, online payment systems with PayPal and he's leveraged it into other businesses and other businesses. He, for himself, has made a great deal of money in doing so and he wanted to reinvent the car industry and go green and electric batteries. And he sold a couple hundred thousand vehicles in mostly the Model X and Model S. I've driven in them, they're really nice cars and they're super-fast and they're cool and that's great and it sold to a bunch of ... the Model X and Model S to a very small handful of people who are probably upper middle class or middle upper class to get the loans to go buy those things. Pretty cool. And I applaud him for that.

Mike Alkin: However, people think Elon Musk invented Tesla and he didn't. A couple of other guys did and a couple of years later he kind of used his muscle and his checkbook and got them out. And as I look through, they've been a company 15 years now and they've burned about \$10 billion dollars in cash and they're sitting on a mountain

of debt. And they're cash burn is rapidly accelerating and, or accelerating and when you think about that, people ... He built the Model X, the Roadster, then the Model X, the Model S ... and going back to 2011, I mean he's very public saying we will never need another dime. We will never another dime from shareholders. And since then he's raised \$8 or \$9 billion dollars, that they would be self-funding. And he has a history of doing that, of saying one thing publicly and then the other thing happens but he's a very smart marketer because he's David versus Goliath. He's going against GM and Ford and BWM and Porsche and all of these guys and he's changing the world and he's coming out and being green. And the environment needs him and he's got this following.

Mike Alkin: I see the things on Twitter and it's vicious the way people go back and forth. Hey, I'll stay right here. I too want to save the earth, I too like electric vehicles. I too think they're pretty cool, I too think a Tesla's really fast, I too think all that. I too, if I had more of an entrepreneurial [inaudible 00:38:26] would have been able to say, I want to change the world and go out and use \$10 billion dollars of other people's money. The problem is there's accountability tied to that, right. At some point you have to start generating cash flows.

Mike Alkin: So now we're coming up to the point where the Model X and the Model S were built and now the Model 3 is here. And this is the vehicle, the \$35,000 vehicle built for the mass market and that was where Elon Musk and Tesla was going to go from a niche car maker, a cool car maker, to the masses and that's great and to do so you needed billions of dollars of OPM, other people's money. Well, it's been a few years now that they've been taking reservations and at one time, I think the reservation holder list was 500,000 and now they claim it's 420,000, though I am quite suspicious of that claim. And going back to 2016, 17, when you look at the time line, everything has been pushed out traumatically. And what I think has happened

is, is now the whole number is on. Elon Musk is very active on Twitter and with his hints about production and then he massages everything all the time and he's turned it into how much can we produce, how much can we produce, how many can we ...

Mike Alkin: A year and a half ago it was going to be 10,000 a week by this time. Now it's 5,000 a week. But the 5,000 a week is up from what they were really producing so that got people excited and at the end of the quarter you see a burst week where they build a tent, they bring in ... they take people from building Model X's and Model S's and they go build that. But it's not sustainable, in my view. Those are not sustainable. And I also think the big disconnect for me with Tesla and the [bull 00:40:16] is that everyone's focused on how many cars they can produce. I flip it upside down. I think it's a demand issue. I think you've sold your Model X and Model S's, they're really great cars, people like them. They're pretty cool but when you look at these Model 3's coming out, the way they're having to build them, when you talk to people who have them and you just go on into any kind of research and look at the forums. You'll find your handful of those people that are happy with them. But look at the ... coming out of the factory with the problems with the gaps in the doors, the bumpers, all the quality issues. That's not a mass market car company.

Mike Alkin: Now that's not to say they can't get these kinks ironed out at some point in the future. But how are going to do it? You have a significant amount of debt coming due over the next several months. You need capital, you're burning massive amounts of capital. You haven't raised it when your stock price is at \$380. How come? Why are you insisting that this is the quarter that you're going to be cash flow positive? Now can they come out this quarter and come up with some way, shape or form a delivery number that they jam down people's throats and they use some ZEV credits, some credits that they have to get the

numbers for a quarter? Maybe, but it's not sustainable in my view. I think the demand, that 420,000 person waiting list, if you went online a couple of weeks ago and ordered a Model 3, there's a chance you're going to get one now. Well, what about the people who've been waiting for two years? Where did they go? Did they just disappear? So, whether there's ... Frank, I could sit here for an hour and talk about it but the reality for me is ... you know, look the company is ... The SEC is investigating his 420 funding secured tweet.

Mike Alkin: Think about that, the CEO of a public company came out and said I'm thinking of taking the company private, the funding is secured. It's \$420. First of all, who would say a price, because any potential other bidders would not go past that number. Why would you tell people that? Number one, it makes no sense. Number two, he didn't have the funding secured. Obviously he doesn't because the US Department of Justice, according to all reports, is in there now investigating those Tweets. Then he came back and walked back saying we're taking it away and oh, by the way, the stock price, you know, at one point it was \$379, it's stilling around \$300 today but now over the last couple of weeks we're seeing tweets about it used to be production [inaudible 00:42:56] ... we couldn't produce. Last quarter it was, this is production ... now the thing is folks, we're sorry. We're in delivery hell right now. We're having to build car carriers because there are so many cars that we have to deliver. Now, what is that to me? That's speak for there could be a delivery problem coming down the road, meaning demand. That's code for demand, is how I view that.

Mike Alkin: One of the things, Frank, that I will say that Twitter is a tremendous tool. It's a crowdsourcing platform that, you have to be careful because many people don't use their real names and I understand because for whatever reasons but especially in Tesla, they dox people. The bulls will go out and try to find the real identity of these guys and

they call it FUD, this fake information that these people are spreading. I will tell you this as a very, very ... guy with a lot of experience in doing deep dive fundamental primary research on companies across myriad industries, that I can detect pretty quickly what's bullshit and what's not when it comes to what research people are putting out there. And when you look at the quality of research that is supported by the numbers, it's tremendous and its exceptional work that I see being done out there.

Mike Alkin:

And no matter what numerate argument a bear makes, a bull will come back with, "Elon's a God. Elon's a genius. Elon will figure it out." Are you kidding me? I mean there's a financial advisor in California that no matter what you presented to this guy will come out and tweet and say, "Elon's a genius, we love Elon, we trust him." I mean come on, that's how people get walked off our bridges. That's how countries get taken over, because they put faith in the wrong person. There is something not right here and I can't pinpoint what it is, but whether you go around, Frank, and look right now, they have all this insatiable demand that they're talking about for the Model 3 ... whether it's in Burbank or outside of the factories, not too far outside the factories or in parking lots around the country ... there're thousands and thousands of Model 3's gathering dust. So how is there unlimited demand for that? I don't understand it.

Mike Alkin:

And I could go on and on and on and we don't have the time to do that. But so for me, you know ... But Frank, here's where shorting becomes hard, right, because the longs have won up until now. The stocks at \$300 bucks, it's had a massive move but these numbers have been obvious for quite some time, the cash burn ... but now the company's put themselves, I think, in a box where they have said this, the third quarter is it. Now, if one of the belief that this company will say and do anything to make their numbers try and happen, I believe this is a company that will do that. So could they pull this quarter out?

Maybe. However, however, I believe with all my experience this is just not sustainable. I look at the bonds for 2025 trading at 85 cents, 86 cents, and yet a \$50 billion market cap company, you know, those things can evaporate overnight. Market cap can evaporate overnight. The fixed income guys have a good bead on where the cash flows are.

Mike Alkin:

The other thing, Frank, is if you look around the corner you have the Jaguar I-Pace coming out, you have Porsche coming out. You have BMW coming out, Mercedes coming out with vehicles to challenge ... go across the spectrum, to challenge the higher end models. Well, that's great. So okay lets ... you've never sold a \$30,000 Model X, which is what the whole premise was. The whole premise was a \$35,000 Model X with a \$7,500 tax credit and you'd have a \$28,000 mainstream electric vehicle. Woo hoo. Fantastic. It's been two years and it's a pipe dream. You're selling the Model 3's for \$53, \$54, \$55,000. That's not mainstream. That's not Joey Bag of Donuts going there to buy that car. That's not a mainstream car. That doesn't generate the scale for you. They won't make money at the \$35,000 level. Now all of these competitors are coming out to compete across their product spectrum and Tesla will now lose the \$7,500 tax credit because they've sold two of the federal tax credit, they've sold 200,000 vehicles so now that gets cut in half on January 1st and then six months later, it gets cut in half again.

Mike Alkin:

When you have a spate of ... I mean, the biggest car companies in the world have been doing it for 75, 100 years coming out and putting [maverick 00:47:43] ... Let Elon lead the way and prove the EV market, kudos to Elon for doing that but now you've got guys who know how to make cars. They're not sending cars out with bumpers that are falling off, with paint that is peeling, with door gaps that are half an inch wide, with paint chips all over it. These are the real car manufacturers. They take five years to do a development cycle not with Musk, he does it in 12 months or 18 months.

Frank Curzio: And like you said, they're going to get the tax credit too, which is going to be cut in half and then cut in half again but these guys are going to get that full tax credit as they roll out these cars.

Mike Alkin: Absolutely and so ... Look, I think there's so many things, Frank. Like I said, I've never seen anything like it but nothing surprises me with Elon Musk. This stuff ... There's this old saying, now, can you pinpoint exactly what's going on? No. There's a lot of guys who would say it's the F word for Elon. There's guys out there all over Twitter saying it's a fraud. There's ... what I will tell you is, without using that word, I will say that nothing makes sense to me that comes out of the company. The financials are an unmitigated disaster. From the gross margin perspective, they don't calculate gross margin the same way as everyone else. But like I said earlier, numeric arguments fall on deaf ears. The bulls just don't care, they think it's a tech company that is changing the world. Really? It's a tech company? It's Panasonic's batteries that are in there, there's very little proprietary technology. The autopilot is far behind other competitors. It's got a grand master, the greatest of all time salesman, running the company who is able to convince people that he's the Messiah and he's changing the world. He plays the David versus Goliath. And I unfortunately think, Frank, that all of these well-meaning, hardworking, environmentally conscious people who own his stock and really believe in him, I think they're going to get walked off a cliff.

Mike Alkin: I hope ... you know look, the reality is you hate to see people do that but ... and I do cringe sometimes because some of these accounting arguments, the finance arguments are just Finance 101, Frank. It's Investing 101 that gets lost because people say, well who cares about the cash flow, look at what he's doing and he's going to change the world. Revenues are growing. Have you ever seen revenue growth? You don't take revenue growth to the bank, you take cash to the bank, right. And at some

point in time, the capital markets seize up for people who use other people's money. Now, like I said earlier, he has not gone out and raised capital. Why, I don't know. What would cause me to change my mind? I think they probably need \$7 to \$10 billion dollars, is my guess, in terms of the capital they need to get to where they think they want to go and say they want to go.

Mike Alkin: If you went out and raised \$5, \$6, \$7 billion dollars, in the last year nobody would have blinked on a \$50, \$60 billion market cap company who would have had 10% [inaudible 00:51:01], you would have taken away the argument of, he's going to run out of money tomorrow. But now if I'm a supplier to this company ... if I'm a supplier to this company, I got to worry that they're certainly ... I gotta worry, am I going to get paid? How long am I going to let this go while cash is hemorrhaging? And they say they're going to make it up in the third quarter and even if they do, the stock will get a big boost, the stock will run if they put numbers that he delivered everything under the kitchen sink. But again, at the end of the day, it's not going to be there 'til the fourth quarter, my opinion.

Mike Alkin: But Twitter changes the game because he's got 23 million people out there. He could put out one tweet saying, "I love you, Tesla supporters" and it gets retweeted 100,000 times.

Frank Curzio: So Mike, really, am I hearing a pair trade, short Tesla by Twitter?

Mike Alkin: Well you know, I will say this Frank, I joined Twitter in '09 and I never used it. And ...

Mike Alkin: I joined Twitter in '09 and I never used it, and about December of '16, I was at a New Year's Eve get-together with some neighbors, and AD Oxen on Twitter, it's one of my neighbors, and he said, "You know, I'm an avid user. I love it. I believe in it."

- Mike Alkin: I have a great deal of respect for him, so I started using it. I really, as I started paying attention to it, I spin twit the financial portion of it, and I really started to see some really, really intelligent analysis, and really thoughtful people.
- Mike Alkin: I don't know a lot of things. There's a lot of things I can't do, but I can identify thoughtful financial analysis, and I became more and more impressed, more and more impressed, and you get to know who the crackpots are and what their agendas are, but there's some very, very thoughtful things.
- Mike Alkin: I think it is really a great way to use as one of your sources, just to idea generation sometimes.
- Frank Curzio: Yeah, absolutely. I want to go over one last thing here, because I let you go on over because I know how passionate you are with it, and I love listening to the points because you're always bringing up points, again outside of "We need money, we need this." There's a lot of points that people won't talk about that I love that you address that they make a lot of sense and I definitely agree with you, but any ideas to share? Because a lot of the times you do focus on [crosstalk 00:53:27] and stuff like that.
- Mike Alkin: By the way, I'm sorry. You and I talk about a lot of things I find and I don't talk about that. I don't tweet about any of that stuff on [inaudible 00:53:37]. It's just my own view. A, you would spend all day long fighting the bulls on it, on Twitter. Nobody has that time. Anyway, sorry.
- Frank Curzio: No, I was wondering if you have any ideas since I know you're always focusing on [inaudible 00:53:55]. We all get a launch into the newsletter for you very very shortly guys so get excited it's gonna be a front end newsletter like I said all kinds of markets everywhere here around the world every place where he's gonna find great ideas for you, which is awesome right because you're focused

on just [inaudible 00:54:09] but are there any ideas and I know you're in the city right now probably meeting with hedge fund managers and have meetings all the time that you're talking that you're hearing out there, something that you can share. That's interesting that people should start looking at.

Mike Alkin: Yeah you know one of the things that, if its popular around, I'm not paying attention to it. I'm just really looking in the weeds for different things, for things that's hated not a favorite right. Yeah I think that some of the shipping companies, some of the shipping companies have been decimated...Product tanker category has been decimated.

Mike Alkin: When I look at scrappage rates and I look at supply coming online, if you look in the product tanker category you've seen the rates that they charge for these tankers have imploded and you've seen new supply coming online dry up completely, and it's significantly dried up first is where historically new supply is and what happens? The world is supply and demand which is why I love these [inaudible 00:55:22] industries. When supply dries up and there's not a supply and there's more demand the price can go up and when pricing goes up you see the stock prices go up.

Mike Alkin: So, I think the product tanker category, one of the ones I think is interesting is Ardmare Shipping is one that I think has some really nice subside potential from here. Just lack of supply, pricing will turn and you'll get good operating leverage out of it.

Frank Curzio: That's great as always you know as well as I do since you have your own Podcast now right? Everybody can go to, right? Talking stocks over beer. A few Podcasts, but people love the ideas, they love how you put all this into motion and we've covered a lot today. So listen, I really appreciate you coming on. I know you're in the middle of New York City and having fun with those 17 guys fixing that little window and everything.

Mike Alkin: Yeah, I apologize for all the background noise.

Frank Curzio: No, no worries bud.[crosstalk 00:56:20]

Mike Alkin: You know Frank it was funny, before we go. On my decision in the car, now again I live 19 miles from Manhattan, that was two and a half hours, maybe longer to get in. So do that math.

Mike Alkin: Now I had a decision when I knew you were calling me; do I find a side street in Manhattan to sit in the car and do the call so it's nice and quiet? Or does my bladder take over and I have to go run and find a bathroom in a hotel? And I tried to hold out and I couldn't, I know where most of the hotels in Midtown are, and the place is just impossible. You just can't find a quiet place so I apologize.

Frank Curzio: No, that's perfect listen and thanks so much for coming on the Podcast and again guys catch more Michael Alkin and his stories and what he's doing in the markets. Definitely take a look at his Podcast, talking stocks over beer, and check out his new set of money flow trader and I'll talk to you soon bud. Thanks so much.

Mike Alkin: Thanks bud, talk to you later.

Frank Curzio: Great stuff from Alkin his money flow trader to be perfectly honest with you it's a tough environment for him it's like having a newsletter in the mining industry where it doesn't matter who's on the board of directors, how big is the [inaudible 00:57:33] he just found or anything. Chances are you're down 60-70% on that stock over the past 24 months or a little or a bit longer in the mining industry. It's been a little bit of a tough road don't give up on it because we'll look at the market conditions and we'll look at how to hedge yourself. This is one of the best ways I know that you could do it. There's a lot of companies that should not be trading at all-time highs along with the rest of the market.

- Frank Curzio: The companies that you hear about deserve it. We've seen that Apple put up great numbers, Castros amazing and they're gonna continue to buy back stock they have plenty money to do it. Coming out with new phones, there's catalysts there. You look at Netflix's as well just continues to dominate the competition. You look at all the Emmy Awards, highest amount of Emmy nominations. You're looking at companies like Facebook, that continue to dominate and Google.
- Frank Curzio: But, remember if you look at S&P 500, its 500 companies and a lot of those are starting to trade at all-time highs and, I would say that a lot of them, not even some of them have no business trading at those levels where they're not gonna see the same earnings grow to 20% plus earnings growth going forward. Yet they're trading at 20/25 times their earnings, you're looking at consumer staple companies trading at quarts multiples that are barely growing only because they have a higher yield.
- Frank Curzio: Yet you've seen yields go higher right? And treasuries where you're gonna see money flow out of these stocks, especially if they can't generate earnings and like Michael said, they're having a lot of trouble passing on the higher cost because there's so much competition. But, there's a lot of things unaligned that doesn't suggest that every stock should be trading at 52 week highs. This is gonna do fantastic when this market turns and it will turn. Maybe we see it go high or were gonna see a couple companies do very well and those companies continue to grow earnings faster than the rest of the market and gonna see their stock prices go higher and higher.
- Frank Curzio: But there's a lot under the hood that you look at especially S&P 500 mid-caps and small-caps that are not seeing the same earnings throughout, that are having trouble. Some of the stocks I'm seeing, these are names that should not be trading at current levels when the market turns these are the ones that go down 30, 40, 50% and Mike has a history of finding them.

Frank Curzio: Which he did on his Podcast. Before I hired him. Give me a Dean Foods saying that that was gonna crash Goodyear Tire, pretty amazing stuff but really, really great. I love his newsletter, it's fantastic. It's a way to limit your risk by destroying the markets, by hedging yourself, something that you need to do.

Frank Curzio: Yes it hasn't been working out because the markets going higher just like if you've been hedging for the last 5, 6, 7 years. But you always wanna make sure you're hedging a little bit. You wanna be safe in this market and you don't wanna give away all those profits that you have in your portfolio that you generated over the past few years. You wanna be smart about, this is one way to do it that's why I'm confident in this product. I love money fodder trader and I love the editor that's on this which is Michael Alkin.

Frank Curzio: If you have any questions or comments about that interview, feel free to email me at frankcurzio@research.com, that's frank@curzio@research.com. Again, don't email me till Monday because I'm gonna be crazy busy with my daughters party and having fun with that so I'll get back to you as soon as I can. I try to be there every day for you guys, you know I love you but somethings are a little bit more important especially when it comes to my beautiful daughter, I'm psyched to get that.

Frank Curzio: Anyway I won't get into that. Let's get to my educational segment. Here's some of the numbers I was talking about that I mentioned on the Podcast. You look at US growth, just accelerating. You look at unemployment claims down to 200 thousand, incredible. You look at consumer confidence, new high. Manufacturing index, if you look at Empire Philly Fed Index and the Philly manufacturing index, higher. You're looking at wages moving higher now, year over year. That's not just from Goldman Sachs survey with something that I look at, that I've been tracking for a long time. This [inaudible 01:01:08] the Fed up three and a half percent year over year, so you're seeing wages move high and make sense.

Frank Curzio: Talking about that with Alkin where you have your business if you're trying to hire talent you're gonna have to pay for it. It's not easy to get really good talent right now. Even if they said they, which is not gonna happen. An infrastructure bill even though both of our parties agreed that, they both ran of a Trillion Dollar infrastructure but they hate each other so much they won't get together to make places and bridges and pipes safe for us. They don't care about that. It's more about their parties and staying in an office, which we all know.

Frank Curzio: When you're looking at an infrastructure plan if it would pass a lot of people would say, where are we gonna get people to actually build these things? Because it's so hard, because the unemployment rate is pretty much zero. They say it's like four percent or a little bit less but if you want job, you can get a job in this economy. There's no reason why anyone shouldn't be working right now unless you hate work and, I don't blame you if you're getting free government check and stuff like that and whatever. If you really want a job, you can get a job almost anywhere in this market right now. You really can and it's in your favor where you will probably get paid pretty good money to do so.

Frank Curzio: Inflation, finally moving up not sharply which is a perfect market for the Fed. Right? That's exactly what they want. You're looking at existing home prices, continue to rise. Great number's month over month. You have BA Bonds and junk spreads still very, very low indicating that there's not a lot of risk in this market at least if you're looking at fixed income side.

Frank Curzio: Earnings growing 20% year over year. Guys this is right now, this is taking 20% year over year. I think this is the highest since 2011, 20% earnings growth, it's incredible. And we're talking year over year from last year right? So you're looking at tax reforms, a lot has to do with that. Not all of it, but a lot but what's gonna happen next year?

You're gonna have a much higher numbers to compare it to because now you're gonna compare it to today's numbers which are great. Are you gonna grow 20% next year? During this time? Rates can be comparable to this quarter right now, it's gonna be very hard to grow an extra 20% when you're seeing rising costs, rising inflation, we hear about that.

Frank Curzio: Looking down the line it gets a little scary, but staying here right now. Consumer net worth surged to 107 Trillion Dollars. Home owners sitting with over 6 Trillion equity in their homes. Stock market all-time highs, fico scores, credit scores hit a new record. 704, it was 695 in 2015. It was 700 in 2017 so now it's 704, it's a big deal. Sounds like it only moves up four points but if you date back pretty much for 15 years, more like 17, 18 years, and the charts that I'm looking at, that numbers been between 686 and 704 which is the highest right now so it's a tight range. It's a big deal. Showing that credit is for most people, are really good right now.

Frank Curzio: From Monday alone. Guys this happened on Monday and it's important you understand this. I'm gonna again saying these things that I'm writing down, that I'm looking at. Since Monday, not even since Monday, on Monday alone, 12 major deals were announced. For more than 33 Billion Dollars combined. One day!. I was barracked by a rangled resources, got tons of emails on that. Again, still very early on a party doing a great deal, I didn't even think that deal would get approved if a normal market in Gold. But nobody really cares so it's kinda like Mobil merging with Exxon, heck nobody really cared back then and afterwards was like holy cow how did we let this happen? Which is crazy.

Frank Curzio: You have series paying 3.5 Billion Dollars by Pandora. Lots of deals for China Evergrande, paid 2.1 Billion to get a big stake. Another company Versace being sold, 2 Billion Dollars. You got the energy to buy all groups outstanding

shares for 650 Million Dollars. Peabody Energy, Lloyd's, you've just all these deals and now on Monday, 33 Billion Dollars, which is incredible.

Frank Curzio: And you look at the market saying wow everything's just so awesome right now, it's great to a confidence high, I mean how can't it be right? Everybody has more money, their home prices are going up, anyone who owns assets are doing well but for me it kinda feels like the calm before the storm. And when I say storm I'm not saying the markets have come down by 30% but, just how much better can we get from here? Or even go 25%, 27%? To be honest with you I think that's fact bent the stocks right now. Trading 17 times forward earnings and I'm nervous about those forward earnings. Again, a lot of course.

Frank Curzio: We've had numerous sources come on this Podcast alright. Andrew talked about it, which is great. I talked to a lot of insiders as well. I talked to [inaudible 01:05:58] was on this Podcast. You're looking at the data and trade data showing how. We even had an insider who emailed me on [inaudible 01:06:03] list, now frankly speaking be sure to download a Podcast, frankly speaking. He came on from the manufacturing industry and said "Hey you know what, we're buying more goods now, buying more stuff now for fears of what's gonna happen down the lines". So, a lot of that stuffs being pushed into current GDP current estimates, current earnings where you're not really gonna have that later on.

Frank Curzio: So when you have uncertainty, you wanna remove that uncertainty so you're like, okay let me buy as much as I can right now. I know that I'm gonna have the demand to sell this stuff, so I'm gonna keep this stuff in inventory a little bit longer but hey I don't know if these things are gonna cost more because of tariffs and what's going on with the US in China later on. So a lot of that demands being pushed forward right? So it's good for now, that's why you're seeing earnings, all these numbers, it's fantastic. May not be so good next year.

- Frank Curzio: I talked about China based stocks for diversification. The US and China continue right? The traders fee, we all know about it, just turn on the TV, you're gonna hear billions of stories about it. But this does create uncertainty. Because we're looking at the China market and the US market, you're looking and hey you know I can bet on China here and some of these stocks. If you look from a technical level it's pretty scary because it's closely tied in a way that it's not good for China. Because when the US markets hit new highs, almost all the time hitting new highs, the Shanghai Index is heading new lows.
- Frank Curzio: I don't want to say that the US not hitting new highs right, for me this is something as an analyst, I wanna look 6 months, 12 months down the line, what's going to happen and be prepared and tell my subscribers prepare if things are going to get worse. I felt that way before tax reforms and after tax reforms I got more bullish on the markets but again, it can change month to month or depending on what information comes to. But right now, with everything, it doesn't feel like it can get much better.
- Frank Curzio: But I can see this trend lasting, you don't want to fight the trend, with stocks hitting new highs. Maybe through next quarter, at least in the next three weeks, maybe until the end of the year but it's gonna be really hard to continue to meet these inflated estimates especially on the earnings front. When you're seeing a lot of price increases across the board, these guys having trouble passing these prices onto consumers. At least that's what they're saying, in their conference calls as of last quarter.
- Frank Curzio: So I don't know with China long term, fantastic, middle class is over 400 million. Their middle class is bigger than our entire population in the US, just rising, it's growing, growing, growing. It's supposed to be 420 million by 2020 I think. Again you can look at tons of estimates, either way they're around that same number but you're seeing the massive growth. China's stocks have just been decimated.

Long term probably more of an uptrend now, seeing I didn't think the tariff part would last this long. By dispute, I figured China would throw in the towel and not wanna crash the entire economy but hey, they're willing to do that and that's fine right now.

Frank Curzio: But if you look at the Shanghai Index it's at the same level it was 12 years ago. The Euro stocks, same level. That's 12 years ago. If you look at the market that I like right now, Japan! I mean how horrible has Japan been? But there's big positives taking place and no one's really talking about it. I read a couple of interesting notes on the south side, just people who[inaudible 01:09:20]. It's like the third or fourth note I said you know just let me take a look at this and just looking at the numbers...

Frank Curzio: You're looking at Abe's on track to become the longest serving Prime Minister. Land prices! So Abe being the longest Prime Minister is lowest political risk and I've seen many changes there. Land prices increase for the first time in 27 years. Is that insane? I had no idea. 27 years! Household debt is increasing for the first time in 20 years, that's a great thing guys. That means people are gonna spend more money again I'll look at it later on if they get crazy. But, the fact that people are seeing opportunities, maybe buying more houses. Whatever it is but household debt increasing is a good sign for stocks and the market. Again you don't want them to get crazy and just buy 20 Mercedes each, I'm not talking about that.

Frank Curzio: From a market perspective that's a bullish sign. The [inaudible 01:10:19] is on the verge of making an upside breakout from its 29 year downward technical level. But this is pretty amazing stuff. You're looking at the 2020 Olympics coming, it's a good catalyst. You're looking at companies, have tons of cash on their balance sheets in Japan. Or five and a half Trillion Dollars in cash on their balance sheets, it's incredible.

- Frank Curzio: So, you have companies that are dirt cheap. You have an economy that's starting to turn finally, price is finally rising on land. Consumers spending more money. And yet if you look at ways to play it, it's not the easiest thing. You have the iShares, the MSC Japan, the symbols EWJ. You can look at Toyota which again, the car industry, not the best play. In the wisdom tree small cap Dividend Fund which is DFJETF. But for me right now I wanna take you through this process. Because I'm looking at these things, the first thing when you pull up anyone of these, if you look from pretty much September and I'm looking at Toyota here, let me bring up EWJ...
- Frank Curzio: If you bring up EWJ again if you look from September 7th, talking about three weeks, a little over 3 weeks a massive, massive up trend that's taking place. Which is important. So now you have cheap stocks, it's still kinda hated, nobody's even talking about Japan right? I can't remember the last time I talked about Japan. Longer than 10 years ago. And if you look at the charts and what's going on at technical levels they're clearly breaking out and they're still dirt cheap.
- Frank Curzio: You pull up some of these things like a 5 year chart or just a full year chart and even for the MSCI, which is the Japan ETF, EWJ is the symbol. It's trading at 2007 levels. It was at his level in 2000. It was actually higher in 1998, EWJ. So even though it made a pretty nice move over the past few weeks, this is just the beginning here. If these numbers continue to come in like this, we're talking about massive gains. This is how you should be looking at the markets.
- Frank Curzio: Do I have all these ideas? No, this is my stating point. So for me I'm reading a couple of notes and I'll see people mention it and I'm like, what's going on in Japan?, let me see. Why am I hearing about Japan for so much? Then I dig into the numbers. Then I'm reading these reports from south side analysts which are really fantastic sometimes. Then I'm looking at technical levels, now I'm looking how

to play this and I think there's probably about 10 or 12 stocks that have a lot of exposure. I have a research engine called Campbell IQ where I can go in and see how many companies at S&P 500 that have the most exposure to Japan.

Frank Curzio: I'll look at AVR's that'll trade here where you know Japan companies trade here AVR's, we could buy them. You don't have to worry about exchange rates or things like that. For me that's a starting point. Where can I get leverage to consumers?, to homes. What's the best way to play this? Is it just buying like EWJ. It was over 300 large Mid-Cap Japanese stocks, I could buy in the whole market which is gonna do good, but for me, as an analyst. If you're sitting at home and you're saying, I wanna Japan, I don't wanna do too much research on it and I like it, that's fine. For me I wanna dig in because I know this individual stocks that are gonna go 5, 10 times more than EWJ. Especially if this growth takes place because they're dirt cheap

Frank Curzio: So that's my starting point, that's when I start doing the research. That's when I start going into my contacts. That's when I reach out to people who cover this industry that maybe I can interview in a Podcast for you. But that's how the research starts. And it should start right now and you should start looking international markets are a different place you can put your money, because the bull mark is not gonna last forever. I'm not telling you take all your money out of US markets but, I've been taking profits on a lot of our winners in my newsletters. And trying to find new ideas and there are a lot of cool ideas that I'm finding still in the US markets. Not everything is straight [inaudible 01:14:33]. But I'm also looking outside of that, international markets.

Frank Curzio: I brought in Van Simmons as well to talk about collectables and how you can invest money. But that's how you should be thinking long term. How can I invest in different areas, where I can have the best return, with

as low risk as possible and just take advantage of the markets that are maybe trading at much, much cheaper than ours right now especially since we had an incredible, incredible run in the US stock market. I wanted that in the educational segment, let me know what you thought. At frankcurzioresearch.com that's frank@curzioresearch.com.

Frank Curzio: And speaking of different places to put your money we're actually doing a special presentation which is gonna be absolutely for free, for everyone. Let's talk about Trumps Tariffs, the best way to play them. The real story that no one's really talking about when it comes to tariffs. So how do you make money on it, why I thought it wasn't gonna be a big deal and I have a 20 page report online that you can see at curzioresearch.com for free. And not only that, I'm really digging in deep of the best ways to play this and I'm bringing in a special guest whose Jeff Phillips who I'm gonna interview, not on this Podcast, but we're gonna provide it for Curzio Research members who are on our email list. Again, you can do this by just going to our website there's a big thing that says 'Trump Tariffs' and you can sign up through there.

Frank Curzio: But I'm gonna provide pretty much a whole free educational seminar for you guys to show you how to benefit from China, how you can make money on this trend and have a special interview with Jeff Phillips, who, made more money than anyone I know. Hopefully he's not listening to this because he's a modest guy and hates when I say this, but he's awesome. Playing the rare earth market. That's a market that I have been talking about lately and he's gonna share some of those investments. We're gonna do a detailed research because the last time he invested in this was early on in 2010, 2011. That's when China cut supply to Japan, they decided to cut supplies overall after that and most rare earth prices, this is the 17 elements, critical for numerous things that we produce here. Technology, weapons, military, stuff like that.

Frank Curzio: Prices went up 10, 15, 20 fold back then sending some of these stocks that he had for pennies, took 30, 40 cents to like 10, 15, 20 Dollars, made an absolute fortune. I've been talking to him lately and also been very connected with a lot of people within this industry and he's gonna come on doing a special free, not a Podcast, but just a free interview for subscribers that you guys can sign up for on the website. It's gonna be fantastic. At least 30, 40 minutes. We're gonna tape that later this week. But again I'm gonna provide all this free education for you so you can get prepared on how to make money from China's tariffs and just ways of making money outside of what's going on in the US because stocks are really, really high and I wanna see you guys diversify and make some money.

Frank Curzio: So again, if you wanna sign up to that Trump Tariffs. Just go to our website curzioresearch.com. So guys, that's it from me. Thanks so much for listening. Wish me luck at the party on Saturday. I'll talk to you guys in 7 days. Take care.

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