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, direct to you on Main Street.

Frank Curzio: How's it going out there? It's November 7th. And I'm Frank Curzio, host of the Wall Street Unplugged podcast where I break down the headlines and tell you what's moving these markets. What a huge day yesterday. We all waited to see some incredible numbers. I know you probably stayed up late like I did. Watched these developments on TV. You have to watch it closely. Pretty close to four hours, I realized something very, very important. The Duke Blue Devils are awesome. I don't know if you watched college basketball yesterday. Not talking about the midterm elections, but college basketball started, kicked off last night, four of the top ten teams, Kansas, my favorite team in the world, probably in almost any sport, played Michigan State and won. They had to hang on at the end.

But Duke, I don't care if you like them or not, man, they smoked Kentucky by 34 points, which is insane, considering Kentucky was favored to win that game. So, Duke has the top three freshmen in the country, along with the number 17th ranked freshmen, that includes Zion Williamson. If you haven't seen this guy play, guys, definitely take a look, even if you're not a basketball fan. Incredible, like jumps to the moon, 42 inch vertical and he's 6'7", incredible. 285 pounds, if you haven't seen him play yet, just watch Duke. Unbelievable.

They also have RJ Barret, Camp Reddish, just as good. For such a young team, they played incredible together, which is rare. Rare. You want to see how rare it is? Look at Kentucky over the last couple of years. They always get the best talent, but hey can never get these guys to play together. They hog the ball. They don't move it. These

guys are just unselfish and high-fiving each other. They're all happy to see these other guys score, and it was pretty incredible. You have no egos for these young kids, and yeah, it just blew me away.

Kansas also looked great. Two amazing freshmen, as guards, played awesome. They have some amazing transfers, including Dedric Lawson, who is, kind of, like Dwyane Wade, gets scores, great passer, awesome rebounder. I saw very little weaknesses in KU. They have size, play great D, can shoot. Young guys with attitude. So welcome to college basketball, my favorite sport in the world.

And oh yeah. There was something else that went on last night. There was the midterm elections. I was flipping back and for between college basketball and channels like CNBC and FOX, but, in a nutshell, there's really no surprises. If you're Republican, you're claiming victory, saying you actually added seats in the Senate. If you're Democrat, you're claiming victory, since you took back the House.

Yeah, and flipping back and forth between Fox, which I was surprised to see them doing pretty good reporting, there was a biased there, obviously, but they were talking about Democrats and how they have momentum and how some of them ran great campaigns. Again, it was a bias, but it wasn't crazy.

And then, I'm flipping through, you know, CNN and different tone. It was a political analyst saying, "Now that we have the House, we could subpoena Donald Trump's tax records, and we're gonna be able to launch numerous investigations against the president, maybe try to get him impeached."

And look, I don't want to get political here. And I know you'll lose people on any side, even there's actors

that refuse to talk about it 'cause they're going to get blacklisted. I don't know if you read that story and stuff like that, which is true. So many people out there, and everyone has such strong opinions and such hate. I understand, if you're a democrat listening, you're going to hate Republicans. You're never going to be a Republican. If you're a Republican, you're gonna hate Democrats and never become a Democrat.

I get it. It's fine. There's so much hate between the parties right now, it's kind of sad. But I will say this, after you win an election, like Democrats, right? They won the House. This is your chance to work with the president, to get things done, to get your agenda done, some things. He has to work with you now.

It was a great achievement. You guys ran great, fantastic. You have a voice now, and you did this just to benefit your constituents, right, the people who voted for you, and the first measures that, at least the political analyst was saying of CNN, is how they are going to attack Trump, make his life hell, try to impeach. Really?

And when I look at things like this, is it about the people at all? Is it about us? We're voting for you guys. Is it about us, or is it just about destroying the other party? Might be a good idea to work together, bipartisan agreement, for infrastructure. Make our bridges, dams, water, you know, all the infrastructure underneath the ground that's over a hundred years old, that's safe for all Americans.

Or is the agenda, "Hey, let's make Trump's life a living hell"? I'm talking to you as investors here. You're gonna email me and say whatever you want, and I get it. It's very sensitive topic, and I get it, but this is about investors. Because as investors, it's going to be total gridlock, which is going to be terrible for the markets. Usually, it's good for the markets, because, you know, you're forced to work together, but if you really don't care and just

say, "Hey, we're going to destroy it. We're going to not approve anything." From an investor's standpoint, that's dangerous.

And now think longer term, guys, because say that the Democrats, two years from now, win the presidential election. Still probably going to run the House, and I believe the Republicans will probably control the Senate. You got me thinking farther out. Who knows what's going to happen? But, you know, those are the odds on. Not that the Democrats win, but the Senate and the House.

But if you're going through all these measures to destroy the president, what do you think the Republicans are going to do when or if you have a president elected and it's a Democrat? Instead of working together to make this country better, to make it great, to be for the people. What are Republicans going to do? They're going to do the same, exact thing, right?

It's been going on, but it hasn't been, really, this bad. I mean, we've seen it from other presidents from both sides. We've had Democrats presidents elected. What are Republicans going to do? They're going to do everything, his entire life, to find anything negative on that person, just launch investigations to launch investigations. No matter who you elect or what you do.

I mean, Kavanaugh thing was sad. It was sad what happened on both sides. It's crazy. Again, looking for this investor's point of view, this is going to be a clear negative for stock over the long term. If nothing ever gets done … With all the BS and fighting and the back-and-forth, you know what's going to happen? It's going to open the door for another outsider to become president in the future, like maybe a Mark Cuban or Mark Zuckerberg, Oprah Winfrey.

People who have great business minds, someone like Trump, but no, I'll be nice here and I won't curse, but

know nothing … I was going to say the D word. That really would have gotten me blacklisted off of iTunes … but know nothing about politics, military negotiations. That's really going to happen, because people are going to be so sick of this fighting. You're seeing it. People are getting sick of it now.

Politicians, it's just about them. It's just about power. It's very dangerous for investors. It's pretty scary stuff. Now usually, or historically, the markets are very well after midterm elections.

So we look at different sectors and what this means. I mean, energy should do okay, certain parts of energy. Got a great interview coming up, who's really going to dig into energy. Fantastic stuff that you're not going to hear. It's going to blow your mind, especially if you're an investor in any energy stocks.

You're looking at energy in Colorado, there's this Prop 112 was defeated, which would have capped the depth oil companies can drill at, which only 2,500 feet, but it was defeated. Which mean, you know, more oil and gas producers are going to spend more money to drill.

New Mexico was a little different. I think a Democrat won there, and they're usually more free spirited and that could change, but overall energy looks like it's going to do well, especially Colorado, since it's become a hotspot for fracking. Even outside Colorado, a lot of Republican initiatives, like in Maine, which are energy friendly, but you're going to hear Democrats who are going to talk of climate change, type carbon emission standards, and things like that. You're going to hear that, more of a voice.

Look a healthcare companies, certainly gonna get a boost. It's a split congress, which means Obama Care's going to remain intact, which is great for health insurance companies. They're making a fortune. And also great for

people who hate to work, right, since they're going to get free healthcare on the dime of everyone else who has to work to support their families. So, that's going to be really good. We're going to provide healthcare to everybody.

I understand that, but at the expense that, you know, I probably have to make $300,000 just to pay my healthcare costs for my employees at my businesses. It's going to be raised 15, 20% a year going forward. It really hits home when you have your own business, especially a small business. It's crazy.

But anyway, from an investment point of view, great for healthcare companies, great for the industry, not just insurance, but the industry as well. Looking at technology. I think, both sides are for more regulation, especially when it comes to privacy. So, we've got Facebook, Amazon, Google, could continue to see pressure, along with Apple, who is just as bad when it comes to privacy issues, even though Tim Cook doesn't think so. He always goes after Facebook and Google and say, "Oh these guys..." You know, and for me, for Tim Cook to say that, it just blows my mind

If you have Bluetooth in your car, it's almost like you have to use Apple CarPlay in order to use Bluetooth to play your music from your phone to your car, and it has a disclaimer that shows up, right, in that little section in your car. It says, "Apple Pay, they're going to track your locations, send data to third party providers." All this stuff, right? So it's just funny when Tim Cook criticizes Google and Facebook about privacy issues, when Apple could be worse, or at least on par, with the Facebook and Google when it comes to privacy.

In the meantime, here's a guy who decided to no longer report unit sales on phone, on their iPhones. So, you're an iPhone company ... People want to talk about services and all this stuff. 70% of sales generated from that product.

Okay? They're an iPhone company, and all of a sudden, you're not going to report unit sales anymore. Why wouldn't you do that? What are you hiding? Interesting. I've never seen so many free iPhones given away. When you buy one and you transfer your number, you get another one. All the carriers … It was never like that.

That's what happens when you're shoving three iPhones down your throat every single year, which it used to be every two years, every 18 months. It used to be one phone. Now, it's two, three phones that really don't have too many different features, that you're shoving it down their throats. So, obviously, they're expecting sales to slow, but it sounds like Apple's, kind of, at a top.

You're selling your main product and say, "Hey, for the first time in…" or whatever, 10, 12, 15 years, however long they've … "We're not going to report unit sales anymore." Use your common sense. Why wouldn't you do that? Obviously, they're expecting those sales not to be as great. Maybe they don't want to highlight how huge those margins are. They said they're going to put margins, but it's got to be massive if you're able to buy a new a iPhone and get either a $700 credit or a new iPhone if you switch carriers. If you go Verizon, or if you go Sprit … It was never like that with Apple. They never gave away phones for free. Now it is. Even the 8, they did that as well, too. It's interesting to me.

Anyway, I didn't want to get too much into that, but technology's not going to be impacted that much. Just expect more regulation on the ****** from both parties. So they could be under pressure.

Looking at banks, same thing as technology. I don't see major impacts due to the elections in either way, negative or positive. I guess any new regulations or further easing of Dodd-Frank, is really not in the cards, but, you know, if you're looking at banks, a great position. You're going

to make more due to high interest rates. They're dirt cheap. They're going to buy back loads of their stock after the stress test. City Group's actually buying 30% of their outstanding shares over the next three year, 30 %, and they're raising a dividend... that's how much money, that's how much cash these guys have on hand. Big dividends, solid balance sheet, and the banks are stronger today than they've ever been in the history of America.

If people want to debate that or whatever, again, look at the buy backs. They we're allowed to do this stuff, because they took money, and some of them, like JP Morgan, are forced to take money during a credits crisis. Now, after the stress test, and they passed with flying colors. I mean, almost every one of them, outside Deutsche Bank, passed. Over 30 of the major banks, the stress test.

Now, they can buy back a significant amount of stock, and use that cash, which, yeah, they have to keep enough money to survive a 30% market, minus 5% on GDP. 35% in home price decline, and over 10% unemployment. Alright? Just put that in perspective, that never happened in the history of America, all at the same time. It didn't even happen during the credit crisis or during the recession.

When you see how much cash, and even during that moment, they said the maximum these banks could lose, if all those things happened, are about $560 billion. Again, I haven't done a ton of research on this. They have 800 billion liquidity. It kind of tells you that, look, they're not allowed to lend as aggressively anymore. They're just sitting on this money. What are they going to do? They're going to say, "Okay, fine. Well, we're going to buy back a lot of stock." And their company's already dirt cheap. I think it's a great buy. So, I don't think it's impacted by the elections at all.

But again, my biggest concern is these two parties refusing

to do the right thing, work with each other just because there's so much hate. If they do work together, it could be a huge boost of stock, a huge boost to the economy, but I think we all know that they won't. So this isn't a big risk to the markets going forward, especially if the Democrat agenda is, listen, 100% about impeaching Trump, making his life a living hell, launching investigation, instead of, "Hey. This is what we want to do. This is what we ran on, and now you're going to have to negotiate for us, and if you do that, we'll negotiate with you." Which is pretty cool, but it doesn't seem like that's going to happen. There's going to be more tax and more garbage going out there.

And honestly, that's not going to be really good from an investor's point for view. I'll break that down more in future podcasts. How to play it, how to make money off of it, but right now, you know, hopefully these two sides can really start getting along and really start getting things done together, 'cause that's when the markets do best when that happens.

Now, moving on. An awesome podcast for you, today, which includes an interview with one of mine, and also you, favorite guests, and that's Steve Koomar. Steve's the editor of The Vigilante Investor. He's got over 25 years of experience in the financial industry. He worked at Goldman Sachs, specializing in derivative trading, bond trading. Also, former portfolio manager of a very large hedge fund, which I won't mention the name of it. He's focusing on binding the stress mortgage back securities.

If you're not familiar with Steve, I had him on a lot, but he's a pretty smart guy, which you're going to see in a minute. We're going to talk about some interesting topic. China's emerging debt crisis. Few people are talking about it. Wait until you hear what he has to say about this. Blew my mind away, some of the statistics that I didn't know.

He's going to give us an update on 5G. We've been talking about this over the past four or five months. He'll tell you wood stocks are gonna benefit the most and the quickest, because this trend is not really here yet. It's going to really start next year, but lot of companies positioning themselves right now. Let you know which ones are buys, which ones are not. There's a lot of plays on this amazing, amazing trend.

That is going to fuel almost every technology trend you can think of, big data analytics, AI, I mean, everything, IOT, autonomous vehicles, just faster speeds, faster internet, faster algorithms. This trend's surreal. It's going to be wildly talked about in January Consumer Electronics Show, which I'm going to attend. I'll give you guys a live update.

And then, Steve's going to talk about natural gas, seeing prices rise, and he's going to tell you why natural gas seems incredibly attractive, which I kind of disagree with. So, it's going to be a great conversation here, from both of us. Steve brings up some amazing points.

He's also going to say why oil … if you're low on oil, you better be careful, 'cause there's a good chance that prices will go lower. He's going to tell you bunch of great stuff on these trend, more important he's going to give you some great stock plays. How to play his thesis on each of those. It's going to come up in a minute.

Then, my educational segment, I'm going to talk about a sector that I freaking love right now. Yes, I said freaking. It's full of beat up names. A lot of these stocks have coming roaring back lately, not to their highs, but they fell 30% plus off their highs in October, and now they're up 10, 15%. There's a lot of great names. Fantastic. It's a sector that's not really been mentioned in the media as a place to look for alpha and generate alpha, but, for me, it's a sector that I love and talk about often. Right now I'm

seeing more buying opportunities in this sector, probably, than any other sector, and, I gotta tell you, it's probably going to surprise you which sector I'm talking about.

Now, before I give you the name of that sector and share some of the individual stock plays that I'm going to benefit, let's get to my interview, the one and only, Steve Koomar.

Steve, thanks so much for joining us on the podcast again.

Steve Koomar: Frank, thank you for having me. It's always a pleasure to join.

Frank Curzio: Well, your Vigilante Investor issue, there's so many things that you were talking about that I found fascinating that I want to really get to, certain topics that are just starting to be discussed. Again, we just had midterm elections and things like that, so not really a lot of market stories out there and what's going on, but what are the things that you're concerned about? Which I haven't really heard people talk about. I heard about tariffs for China and what's going on. The market's coming down, but you're talking about an emerging China debt crisis. Could you elaborate on that, and maybe, tell us is this factored in with the market down so much? Or is this something that you see is a major over hanger, a major problem going forward?

Steve Koomar: I don't think many analysts or people are focused that much on China's debt situation, but it is pretty bad. It's easy to ignore it. Since 2008, china's total debt in their economy has increased from about 120% of GDP to 250% of GDP. That's an enormous increase. 250% of GDP for debt is a level that has, typically, triggered, or led to, a debt crisis in other countries, for instance the U.S. hit that level in 2008. Europe hit that level. The European Union hit that level in 2008. So, very recently, that's been a level where, if you have catalyst that causes the economy to

turn low, it can turn into a vicious cycle.

It's, kind of, a classic deflationary depression like we had in 2009 in the U.S. and then you had in Europe in, say, 2010 to 2014. If you look at little closer at the data, and look at the private sector debt … And the private sector debt is important, because the 250% of GDP, that I was talking about in China, hit, that includes government debt. Government debt may not be that important, particularly if it's denominated in your own currency, because a country can print money if it needs to and inflate away its debt problem and not really deal with that much of a crisis, but the private sector, consumers and businesses, they can't print money. They have to either pay that debt down or somehow have it restructured if they have a problem.

And China's sector debt since 2008 has increased from about 110% of GDP to 210% of GDP. That's a big burden, and the absolute number may not mean a lot, but 210% of the GDP is what Japan hit in 1990 when its bubble got punctured.

It's what Spain hit in 2008, and its bubble got punctured shortly thereafter, and in comparison, the U.S., which a had a problem in 2008 which we know is extraordinary, it really peaked at 170% of GDP before it couldn't handle it any more. Now, of course, there was a big catalyst in terms of the mortgage crisis that hit that turned the U.S. down, maybe, earlier than it otherwise would have, but it illustrates

Steve Koomar: Earlier than that otherwise would've. But it illustrates that all you need is a bit of a catalyst here on China, and you're likely to have a serious a contraction in their economy. And a need for restructuring that may not be answered, given their kind of need to maintain harmony in their economy.

So, yeah, I'm pretty concerned about it. I look at the 30%

decline in China's stock market and the inability for it to bounce back much is an indication that maybe it's already started. Maybe this trade war has taken some of the air out of the economy there. And with the slowdown in growth it will be harder and harder for companies and individuals to service the debt that they have.

So we could be headed, potentially, already headed for a downwards spiral. But it also could be that China can kind of stave this off for a little while longer. It's hard to say. But it doesn't bode well for Chinese growth going forward and that does have some ramifications for certain markets in the US and around the globe.

Frank Curzio: Yes, interesting. Cause as you said that, I had no idea that it was that high. What'd you say? 200 and something percent for GDP-

Steve Koomar: Overall said, it's almost 260% of GDP for overall Chinese debt. And the private sector debt, alone, is 213% of GDP as of the end of 2018. Or actually, no. 17.

Frank Curzio: And it's amazing because we talk about Greece, which is 180% debt to GDP, Portugal, 138. Italy, again, which is in the news like all the time, right? Saying Italy's in big trouble, and that's under 140%, just put that in perspective.

Now, let me ask you this. Based on GPD, based on their debt to GPD in China, and based on their market falling tremendously since February, since this whole tariff nonsense has been starting, what are your thoughts? It seems like they're being put under the gun. Right? Where they won't say that they're going to negotiate something with us and say, "Okay, America's right." They'll never say that.

But there's so many things they could do behind closed doors. And ask the US to have more companies produce stuff in China. There's millions of things they could do,

even on a political front. Do you see this as a way, cause in the news, especially past couple weeks, we've seen, "Oh, China's willing to talk to the US now." And [G 20 00:23:32] and stuff like that. Is it more likely this deals gonna happen? Cause it doesn't seem like China could play hardball for that much longer. Especially when you're looking at that GDP ratio and you're looking at what's happening to the Taro world stock market.

I hear from sources as well, they're not concerned about that. But there is going to be a level you gotta be concerned at, that GDP keeps rising and the market keeps crashing. Eventually people are gonna be like, "Okay, wait. We need to do something about this."

Steve Koomar: Yeah, I think that if they're looking at it rationally, they will make a deal. And it won't be something that they really like a lot, but it might allow them to make soft landing for their economy. If there is a deal, the deal will be something that will still cause some slowing of China's economy.

And that creates some real big problems for them, particularly with kind of debt that they have to service. But slowing is better than a collapse, and if they continue down this road that they're on right now, which is very confrontational, and tit for tat on tariffs, supply chains are gonna start to reconfigure to work their way around China, and China's gonna have a real problem holding its economy at the levels where it is right now. And I think it would be looking at a real debt crisis coming on very fast.

I think, hopefully officials understand that, and hopefully they will make a deal. I was kind of surprised they haven't already made a deal, but it seemed like they made a bet on a government change and this election in the US. They got half of that, but not the whole thing. And that there's a split decision in the US House vs. Senate. House is democrat and the Senate is republican.

So, it kind of changes the status quo, but it's still maintained. Trump has the authority in the Senate to at least maintain the policies that are in place. So I think that right now is a good time for them to cut a deal and they very well may. But we just have to wait and see.

Frank Curzio: Yeah. It's really interesting. Again, I love talking about this cause I'm really into the tariffs. I've been talking about it on the show and saying that, "Listen, it's not gonna be a concern. to US stocks." And then over the past two months saying, "Hey. China really wants to screw us. They can through where it hurts", and stuff. Just finding out more information and learning about. I didn't know that their debt to GDP was that high, which is incredible. But it just adds to the fact that maybe they might have to do a deal. Which could lead to a quick bump up and a lot of these stocks are down 30, 40%. Or again, maybe you want to wait till after that happens. I don't know, but it's good to know that even if they do come up with a deal, there's still a lot of risk there. It's not an automatic that their economy's gonna bounce back and the stock could bounce back.

Steve Koomar: If they do get a deal, Frank, if they get a deal, these technology companies like Alibaba are gonna do very well. They're have a great bounce. I think it's a great trade, but even with a deal I think that there is the potential for an economic crisis unfolding over the course of the next couple of years. Where Alibaba may not end up being that great of an investment over the intermediate term, the next two to three years.

But after the kind drop that these tech companies have had, they look pretty interesting right now, and if there is a deal you're gonna get a nice relief rally on it. For sure.

Frank Curzio: Now, that makes sense. So, let's get into some of the other topics that I want to discuss which is 5G, you talked about that in May, gave us Qualcomm. We actually put

that in our all-star portfolio because we started tracking a lot stocks that the people that I interview are giving me, because there's so many great stocks picks that I think people were missing out on. So just let me try to create a portfolio and just highlight some of these ideas and Qualcomm was one them which did very well.

But talk a little bit more about 5G, because I know you think it's a great investment opportunity. From what I look at it from my point of view, there's different stages just like we saw with 3G and 4G. 5G's just faster, super-fast speeds and things like that. But it almost like high definition television. Everything has to work out before it finally happens.

So, I think you have the chips that start making the, you know, they get the okay from I guess it's the wireless providers, where they start opening up these markets, and a tower providers and stuff. So they start building new towers. And then you have the chip makers. And then after the chip makers you have the phone carriers like Apple, and Samsung LG.

But we're not at 5G yet. Right? All this is built, but it's coming. Its seems like the phones that are out now they're gonna be 5G capable, what I'm hearing, next year, but everything's already built is happening, which is when you want invest in it. Is that accurate from the stuff that I've been reading? Or do you see it a little different?

Cause see? The trend is definitely here. You could invest in it now, but it seems like all this stuff is really gonna come out next year.

Steve Koomar: You're right. It takes a while to get the products to where the infrastructures in place. Where you can sell the products to consumers that can utilize the speed and all the advantages of 5G. So there is gonna be a lag, in terms of those new iPhones, etc., being 5G capable. And so its

gonna take a little time for that all to play out.

Right now, what's going on is the building of infrastructure. So, Qualcomm does benefits. Some from that. But Nokia, Erickson, companies like that, they're the ones that are producing the very advanced radio equipment that's gonna go in the new towers. And on the light poles. And all the things that were 5G antennas, will be set up.

So that's something that could immediately get a lot of benefit. I have an infrastructure contractor construction company, MasTec, in my portfolio. They have done very well over the last few years building out natural gas pipeline infrastructure and crude oil pipeline infrastructure in the US. But their biggest business, historically, is telecom infrastructure and they do a lot of business with AT&T. And they're likely, over the next couple of years, to expand this back log significantly. As they build out AT&'s network, or help AT&T build it out. So that's another one I think, that looks really good from that standpoint.

But ultimately, down the road, you're gonna see because of all these things, the speed, the low latency, and the incredible capacity. It's like a thousand times more capacity for the system. You're gonna see a lot more automation out there. And so the chips that will drive the automation and also the chips that will service the cloud computing, that the automation is likely to connect to. Those sectors will see very nice growth over the long term, so you get a backup of those the companies that make those products. You probably want to take advantage of that and buy some of those stocks.

Frank Curzio: Now and really quick [inaudible 00:30:53], what I love about this trend is you have the AT&T's and Verizons, which almost have unlimited spending, right? I mean, they do have loads of debt, we all know, and we know AT&T really restructured their company to really focus on this,

more importantly. Cause its just data driven and faster speeds and Time Warner and content being one of the biggest suppliers of information. Now they took over Time Warner, which is content. One of the biggest providers of content and distribution. It seems like a good fit, it's gonna take a while. But you have that to fuel this.

I mean, you have these companies that have tons of money that they could spend. They'll take out more debt. Is it the best plays, are you looking at infrastructure? Are you looking at maybe AT&T and Verizon, even T-Mobile and Sprint, you know, they set out the fast speeds and stuff like that, but we know they don't have the best networks. Or is it more maybe, tower providers? American tower? Is it your infrastructure, play what you said, MasTec? Or is it maybe you have a Samsung LGs and stuff? Or is just the people with the technology, right? Let's not have any free names I'm throwing out here. You know, like the Qualcomms and the Intels.

Steve Koomar: Well the people with the technology are definitely gonna be winners. They're likely to do the best. AT&T, Verizon, have to buy their technologies. Anybody that adapts a 5G, and uses 5G is gonna have to buy the technologies. So they're in a very good position right here. And the infrastructure developers, companies like Nokia, Erickson, that make the radio equipment. Companies like MasTec that put the towers up and installed the infrastructure, those companies are gonna do very well because AT&T, Verizon, T-Mobile, they have to buy their services. They have to use these products.

But the ones that I don't know so much about is Verizon, AT&T, T-Mobile, the actual owners of the networks, they're gonna have a big capital investment and a lot of debt to pay back. And whether they make a high return or not, I think they'll make a return. But whether they make a good return for investors or not, really depends on what the pricing power ends up being. And that's something

that I just can't determine at this point. It depends a lot on how fast use is adapted and just really, how competitive the space ends up being.

It's above my pay grade to figure out that far in advance where they're gonna be.

Frank Curzio: Yeah, I know. It's cool. Hey, guys look. It's all about evaluations. Maybe a company misses a quarter or so and it can come down 15%, but yet, they're really into this and this is a good growth trend for them that they're gonna get into. Whatever company it is. But it pays to look at it, cause this trend is the future of technology. I mean, every single thing, say if you look at big data analytics AI, this all gets fueled by 5G becoming faster. [outcomes is 00:33:38] gonna be faster. So none of these major trends that everybody talks about, they could be great, but they're gonna accelerate and change the world. But 5G comes in as we get faster speeds, so it's something we're definitely looking into. And that's why I'm getting so many questions on it.

Now I want to move on because there's one subject I want to talk about which is natural gas. I mean, it's unbelievable, right? Because I think I went to conference in 2013 and it was the Anadoc CEO that went up there. And somebody asked him about natural gas. And under his breath, he was like, "We have so much natural gas, probably for next 300 years or something." I couldn't believe he said that and I remember going to [inaudible 00:34:14] and saying that's how much natural gas we have.

I am very familiar with this industry. I've hopped on rigs all over. Burning natural gas is free but yet, it seems like we weren't really, yeah, the stock piles were incredibly low, and news came out that, Hey. You know what? It's gonna be pretty cold, we might have a cold winter. And we're seeing natural gas prices go up.

How does this relate into stocks? Are you bullish on this trend? Because there's numerous ways to play it, but for me it seems like it maybe more of a trade because we do have a lot of natural gas that we could produce whenever we want. I want to hear your thought on it, cause I know you cover this industry well and you have some unique thoughts on this.

Steve Koomar: Yes. We do have a 300 year supply of natural gas. There's a lot of it. And its amazing how much natural gas is getting flared off, cause in the premium, where they're going crazy with oil drilling, there's a lot of natural gas production that they just can't capture because they don't have the pipeline capacity to send it to the market.

So there's a lot of surplus natural gas out there. But a lot of it, it's getting burned off. And it will take some time for that infrastructure to develop, to capture some of that gas that's getting lost.

But in the meantime, we've seen an amazing increase in US exports of natural gas. Both by pipeline into Mexico, and by liquefied natural gas, L&G terminals that are being built. And there's a lot more of these L&G terminals that are on the horizon to be built. And they're gonna take a lot of the supply out of the market and they're gonna continue to take more and more.

And in addition to that, because gas has been cheap in the US for several years, now, very cheap, there've been a lot of manufacturing facilities that need natural gas as their feed stock. Fertilizers, etc., that have located facilities in the US so that they could access that cheap gas.

That demand is gonna be here for a long, long time. You don't build a new plant and then move to another country because gas gets a little bit cheaper later. They're committed now to operating these facilities in the US. So the level of demand between exports and industrial uses has picked up significantly.

So last winter, we had a pretty normal winter. Maybe a little colder than normal, and gas supplies really took a hit. I mean, the inventories went way down. And we finished with relatively low levels of inventory at the end of the winter heating season. We're going into this winter heating season with more than a 600 BCF deficit, compared to normal. Which is significant when you consider that last year, the ending stocks were 1.2 BCF. 1.2 billion BCF.

So if you have the same kind of draw down this year as you had last year, if you have an equally cold or even a colder winter, you could be sitting very close to zero stocks at the end of the winter heating season and that would push supplies. And that would push gas prices to very, very high levels. Now, that's trade. Like you said, that's a trade. But there's a underlying issue here. Well, we probably need to get significantly higher ongoing production. You need to simulate significantly higher ongoing production in order to meet all this export demand and all this Industrial demand in the US. And still have the supplies available for residential and commercial heating needs in the winter time.

And you're not gonna do that unless the flow of prices start to rise in order to encourage more drilling of natural gas in some of these bigger shell areas, like Marcellus. I don't think that means that gas prices, they might go to $12 over the winter, but that was just be the spot price, and the short term. What's more important is what happens to the prices for 2020, 2021, 2022 gas, which is still around $3 in MCF. And I think you've gotta get it up, probably another dollar or so, in order to encourage that kind of production increase. And if you get that, that'll be an enormous benefit to the companies out there that can increase production and also the companies that haven't already put a big forward hedge on.

And so there are a few companies out there that haven't

had their forward production. Those companies are likely to really benefit over this winter, if the rise in gas prices play out. And particularly, is the forward prices rise out 2020 and beyond.

Frank Curzio: Now, what if some of those companies, without giving away anything in your newsletter, that you recommended, but what if some of those companies is it more like the Anadoc or is this more like the Devon, who is natural gas as well, and also oil. You know, a lot of these natural gas companies have turned to oil, right? Cause it's been such a weak market. But some of them still have a lot. Chesapeake. They still have a big, at least, most of their revenue is derived from natural gas.

What are some of the plays here, that really make sense?

Steve Koomar: The one I like the best is [Cabot o and gas 00:39:55]. They're focused only on the Marcellus. They're cost of production is so low, because they're so focused on a very productive area of the Marcellus. Their cost productions about a dollar an MCF. So they make money, under any circumstances, really. And they don't need to hedge their production forward, so they don't.

So, if you get an increase in gas prices, it's all gonna come to the bottom line for Cabot. And they have the ability to expand the production significantly going forward. So that would be my favorite play. There's a few other ones out there that I like a lot. Don't hedge as much, that are very focused in the Marcellus. I think that's an area for gas production that's gonna produce the greatest benefit. Although there's gonna be a lot of other companies out there that do well. And I'm kind of staying away from the companies that do a lot of crude production or that are increasing their investment in crude, trying to get a bigger mix of crude.

Crude has done much better. Has been much more

profitable than natural gas over the last few years. But going forward I think that the gas part of the equation is going to be much more stable and have much more opportunity for growth. And at the same time I think crude oil could be quite vulnerable. If you have a slowdown in Chinese economy, crude demands gonna drop. And you also have that whole Iran sanctions thing going on. These sanctions are gonna work really well. And they're being managed so that they give enough waivers, in terms of import of Iranian crude, to keep the oil prices stable. But ultimately, if they work, and they think they have a chance to work. Because these sanctions are the toughest we've ever seen. If they work, you could see.

Steve Koomar: If they work. You could see a change of government in Iran. And if you got a regime change, you can bet that Iranian production would go right back to maximization really fast. The last time that happened, in 2015, when there was a prior Iran deal, so that the Obama Administration cut with Iran, crude prices dropped to $27. They're not going to go down that far again, but they could drop below 50, they could drop the $45. And if they did that, it would be very painful in the crude oil production segment. So I'm kind of trying to stay away from crude and focus on North American Natural Gas, where I see the supply-demand conditions very good and improving over the next few years.

Frank Curzio: That definitely makes sense. And you brought up LNG as well, and it's amazing that there's just so much demand for natural gas overseas and we have such a huge supply. It's amazing how I want to say what, 2008, 2007, where we were creating all these, look at financial plans, as opposed to be import facilities, right, for us. And then fracking went mainstream and we were like, "Oy. They're export facilities now." But even with all this, there's just one which is LNG, which is a Saving Pass.

So it's shinier energy, and then you have one other that

opened. I think it was like cold point from Dominion or something, I don't know if they're shipping out yet, but I know that's open. But there's dozens or more that are coming online probably over the next three, four years at that. They've already got the report pools and permits and stuff. But that's going to take a lot of supply off the market. I mean, you have people out there that are predicting there's going to be a supply shortage because we're going to be exporting so much natural gas. I don't know if I'm there yet, but it just seems ... The fundamentals may be right. So that's why I like talking to guys like you because I'll have a different opinion or whatever, but when you're throwing facts and different things, it makes you think, "Okay, what are the best plays?" And the oil thesis makes sense and natural gas. But it is going to be interesting, right, Steve?

I mean, how often do we see oil prices or oil company really come down? But natural gas prices do well, right? So it's kind of weird. It usually seems like the whole energy sector but go up or down, but that's what you predict is going to happen in the next couple years, I guess, or at least the next couple of months?

Steve Koomar: Yeah. It's not that I think oil is going to go down, but I think oil is vulnerable to the downside over the next 12 to 18 months. I think it's vulnerable to the downside. I think it could still go to 80, which would be great for a lot of people, but if it went to below 50, it would be very, very painful and I think there's a decent chance of that. I don't see downside to North American Natural Gas right now. And I do see upside, so you have an asymmetric risk in natural gas. You don't have it in crude oil, and so that's why I favor natural gas.

Frank Curzio: That definitely makes sense, Steve. So listen, we covered a ton of stuff. Every time that you're on, I get tons of emails because now that you share your thesis and even if it challenges the status quo, this is out there. We provide

ideas for people to benefit. You provide facts behind your research, and I think that's why so many people love you. So keep up the good work. If people want to find out more information, how could they do that, Steve?

Steve Koomar: They can go to vigilanteinvestor.com. And if you have any questions, you can find my email address in the Contact Section. I'll be happy to answer any questions you'd have. Or you can find me on Twitter @VIinvestor.

Frank Curzio: All right, sounds great, Steve. Thanks so much for joining me. I know how busy you are and we'll talk soon.

Steve Koomar: You got it. Thank you, Frank.

Frank Curzio: Hey guys, this is always great stuff from Steve. And from a personal level, this is why I love doing this podcast because there's so many anchors out there that I see and people that do interviews, they have their own agenda. And if you challenge that agenda, they're like, "Whoa." And they just start shouting out like, "You're wrong." I love listening to the other side because Steve have some amazing facts on natural gas. Also some amazing things on China debt, with their debt to GDP ratio. I didn't know it was that high. I mean, it makes me think where I'm like, "Well, they're got to play hardball," and that's where I hear from my cut, "They can't really play hardball, China. There's a reason why the past couple weeks they've come out and said, 'Well, we'll look into talk to the US again.'" A million things could happen behind the scenes.

China's going to say that they got the better of the deal. Trump's go to brag and say, "Hey, because of me, trades better now whatever." But behind the scenes, there's so much that could take place. But if you look at China with the market crashing, I mean, that debt/GDP ratio is kind of scary. Forget about, and I've heard this, just through this podcast and people that I've interviewed who go to China a lot, who talked to brokers say, "They're not really

concerned." They're going to get concerned. When you see the market continuing to crash, when you see a possible debt crisis, they're going to get concerned.

And a lot of that could change if they come to the table and they're really willing to negotiate to work out a deal with the US, but it's probably more likely to happen. Another thing that Steve talked about was natural gas. I mean Marcellus, that's one of the first places I research in 2008, '9. Remember, the Shell boom was all about natural gas and they found out, "Okay, how we can actually frack it and develop oil?" And that's when the oil market really took off, and a lot of these companies did well, and we became one of the largest producers of oil, which people thought that would never ever happen in a history of our country as little as about 15 years ago, 20 years ago. And it's amazing where we are now, with a lot of these stuffs.

So going back to the Marcellus and natural gas, I will say this, the LNG trend is fascinating because natural gas price is a lot higher every place else. It's growing tremendously. I think it's growing by a double-digit rate in terms of demand overseas because they're dying for natural gas. And now we have all these facilities coming up. I mean, LNG is the first one shinier with the Saving Pass. You have Dominion, right, is another one that I believe is three, four months. I don't know if they're shipping up, but I know it's operational. So you're going to see these companies lock-in contract from other countries, this way, they get our natural gas and deliver it and LNG and stuff, but it's incredible when you see that trend because natural gas wasn't really on my radar.

Yes, I saw the news, and we all see the highlights of, "Okay, supplies' dwindling right now, and it's a little bit low and that's why expecting a colder winter. So natural gas prices jumping up." I'm thinking more of a trade. It could be more of a long-term trend especially as more of these facilities come online. They've already been

approved. They've gone to the licensing and stuff like that. Now it's billing these things which, last time I researched it, it cost between eight and 15 billion dollars to build these things. But once you do, I mean, the profits and the money coming in from this is just incredible.

So build all on the coastlines, and their pipelines already going to these places. So again, a lot of infrastructures is already built, it's going to be amazing when you see what happens with this trend over the next five years and how much natural gas is going to come off our markets because think about it, you could produce something and get 50% margins, 100% margins even more in some places and bring up a truck, guys. Go to Google and put Natural Gas Prices Around The World, and you'll see again, I've done tons of research on these stocks and sector since 2007, 2008. But you'll see that chart, and you'll see natural gas price is really low. So we got a lot of supply here, but look how much it's trading every place else.

That makes a lot of sense. It's going to take a lot of supply off of our markets, but just interesting stuff and I love talking to just so many different people, and they have different opinions than you, and you learn, makes you want to dig in further, but that's how I find so many great ideas. And talking to Steve after I just interviewed him for 10 minutes, or before the interview. And a lot of that filters into the all-Star portfolio where you finding new ideas from not just me, but from all these people that I interview because some have fantastic ideas, and some of them don't work out or whatever, but it's nice to just include them in the portfolio, which is the all-Star portfolio, but it's fascinating and I just love my job when it comes to that because I get to talk to some of the brilliant all the time, and hopefully that comes across great for you. And that's what I care about, right. I always said a podcast about you. It's not about me. So let me know what you thought about that interview at frank@curzioresearch.com. That's frank@curzioresearch.com.

Now, let's get some educational segment. The sector I was talking about early on, which I love is biotech. I know, a little shocking, right? I got to surprise you a little bit. Built that up pretty good. But if you're looking at the biotech index XBI, one of the hardest hit during the October sell-off, falling close to 20%, taking down almost every stock in the industry, and now it's up about five, six percent from its lows coming back. Yeah, along with the rest of the markets.

But there's tons of biotech stocks that look attractive right now. In industry, again, I follow. I tell you the rules, what to look for. Buy-in if you're buying small. Cap companies of pipelines, partnerships, amazing technology. Maybe you're trying to buy companies that got killed, maybe their Phase 2 data wasn't that great. And maybe they just have to submit it again six months from now, and you'll see your start to climb 50, 60 percent, sometimes below the net cash to having that balance sheet. And to still because six months from now if that gets approved, which we saw with kind of with Esperion Therapeutics. It is a company I recommend. I'm going to give a couple away here, guys because we're up a ton on these. So I encourage you to grab the opportunity to subscribe. Don't get ticked off besides getting emails, "Frank, you're giving away our stocks and we paid." You're up a lot. People aren't getting it where you bought.

So Esperion is a company I follow for a long time, when it's high are 100 and it was 80 recently. It fell all the way in the 40s, when we bought. Low 40s. And they're making a cholesterol-lowering drug, which is none statin. And which is important because anyone that does take statins realize that they hurt your bones sometimes, and they have bad side effects. And they came out with a study where the safety issues were a little bit higher than expected, and the whole market panicked, and sold the stock from 80 to 40.

And from looking at the data, I found this company. I knew that they would come out. They came out with a very open management. They were cool about it. And they said, "Listen, it was deaths that caused it, but it had nothing to do with our drugs or anything." And they came out with new test results and it was fantastic. And they're stock shock all the way up and it's doing very, very well now. So yeah, and I think it's going to go a lot higher. I mean, it's $58. I think we recommended it 43. Again, it was over 80 because investors got nervous about that Phase 3 study, but now there's a positive, alleviating a lot of the risks and concerns. And right now, you have a cholesterol-lowering drug that's focusing on lowering the bad cholesterol.

That's really challenging some of the biggest drugs out there. So what does it mean? It probably means that this company is going to get taken over pretty soon. I won't be surprised at Pfizer or Merck play in the 80s and 90s for this stock. I mean, that's where the stock was trading not long ago. We saw that with IBM, right, purchasing Red Hat. It was what? A 65, 70 percent premium, but Red Hat was basically trading at those levels, whatever, nine months ago, a year ago. So instead of buying this stock at 80 with the possibility that maybe it could have safety issues. Now, you don't really have those concerns, and you see a stock trading at 58, you can come up with a nice offer to say, "I think this company is a company that's going to get bought."

I'm looking at companies. I mean, there's just so many amazing trends right? It's announced that and the cholesterol-lowering drug, DNA testing and Analysis. Gene editing. Life Sciences. Immunotherapy, amazing technologies out there guys. So we've seen immunotherapy. Actually, I covered very early on with some of these stocks were up 60, 70, 100 percent. We also saw some socks that cover full, 60 70 80 percent because there's so many big guys getting into this industry, new

technologies and it's fascinating. It's just a feel-good story, immunotherapy, right?

It's the first time that we have treatment for cancer in 80, 90 years, right? It's radiation chemotherapy. I went through this with my late dad who passed away from lung cancer, who was a smoker. But to see kids have cancer and their doctors say, "Hey, you have six months to a year." And then through immunotherapy treatments, their life at three four five years afterward and cancer-free and remission, it's remarkable. So it's just remarkable how far we've come with some of these things. Yeah, so you're looking at companies like BioMarin, BMRN, great pipeline, study drugs, make money off of. it was 110, now is at 95 and coming back off its lows. Alexia was at 139. It was at 112 a couple weeks ago. It jumped all the way to 126. I mean, good companies that just got hit from algorithms selling because we triggered the 200-day moving average and a 100 day moving average.

CRISPR is another one company that got nailed, but that and it's house medicine, which is EDIT. Crisper is CRSP. I mean, these names had a good bump. Believe it or not, in October as Food and Drug Administration just said, "Hey, you know what? The first US in human study, we're going to actually go through with it." They basically said they blessed it and said, "Okay, we could do it now. CRISPR that's your Gene editing therapy."

So they got CRISPR down from 54 in September, and it fell as low as 32. It's 38, amazing technology. INVITRX is a company that I recommended in my [inaudible 00:55:01] venture. Again, okay, man. I'm giving this away. Why? I mean, this company is one of the best DNA testing companies in the world, which have the greatest test, which tests the most stuff at the cheapest value for these tests, which they're basing their whole business model on scale and it's working. It's incredible how many Healthcare companies are actually covering these tests

now. So again, I think it's a 160 million possible people that are getting a short by this. So this is a company that I'm fascinated with, and I recommended this company in my newsletter around 650. It's over 5 right now. We took profits. Just sold half of it for like a 130% gain. The stock is down from 18 to 15, it's fantastic.

Just company I love. look guys, start doing your homework on biotechs. They have momentum which is good. But there's still kind of hated. They're still down a ton off their highs. The technology is fantastic. They're testing results have been very positive and they're releasing more test results. They have great pipelines a lot of these companies. And their trading 20, 25 percent still even though some of them moved up off their lows, off their highs for September again, simply because the market sold off not because their technology doesn't work or they fail to phase 2 and phase 3 study.

And these companies remarkable, and plus you're seeing a lot of inflows to these ETFs. So that's saying the smart money is starting to pour into this. Again, it's going to come out of regular technology. And if you're looking why is that happening? Well, if you're hedge fund money manager, you make money by putting that money to work. You can't put it in cash because you're not going to generate money. So when you put it to work, well, okay. Well, technology thanks docks. Everybody was overweight completely overweight. Now that money is coming out. Where is it shifting to? Through the couple safe havens, Consumer Staples, utilities because actually shifting over to biotech now.

Based on companies that tracked this Merrill Lynch and things like that. So the smart money believes the sector's cheap as well. Start doing your homework on this industry. We have nailed lots of winners in our portfolio. Very particular. Watch out for a report for CVO subscribers. It shows you exactly how to invest in this industry to

lower your risk as much as possible and maximize your returns. But this is a sector I'm loving right now. You're probably going to see a lot more recommendations if your CVO subscriber and even if you are, of course, your research advisory member you probably see some more recommendations of large caps because a lot of those names have got hit as well. But the sector I love right now guys definitely keep an eye on it. No one's really talking about it.

All right, so STO, we're going to launch hopefully in a month from now, I'm getting lots of questions if your credit investors want to learn more. This is how we're going to raise money to compete with our competitors. So the bigger players in the industry, I would be doing it this way because one, it's cheaper RN's. They're just doing a regular private placement. Two, the Cody event is a lot quicker for you guys, where this token will be locked up for 12 months because it is for credit investors, and that's the law. But once we do, that's going to be locked up but [inaudible 00:57:55] events a year from now instead of investing in our company in private placement and what's the liquidity event for you? When do you get the cash-out? When do you have to get money back, or whatever? Or maybe you keep this or whatever, but it's usually seven to 10 years, which is a long time.

So the other way you cash out really is of the tiny ways you could do it and be tricky whatever. But it's a cash out. It's if we get acquired or if we do an IPO and it can. It take seven to 10 years. This is a way where you're going to see our token tray. We're going to be negotiating when exchanges is over the next 12 months. A lot of exchanges and STOs are being launched. The first one open Finance is coming out. You have T zeros platform. I think an April already proved SCC regulated and everything. You're going to see probably more than a dozen exchanges come out. The STO Market is the future of crypto. It's amazing. You can get Equity stakes and these tokens to way to fund

money. It's a way to provide liquidity to real estate, to Art to Collectibles. It's a fascinating industry so much so, I'm basing my company my reputation on it and doing these big capillaries which again, I'm a credit investors.

I wish you could be Ferry by that's the laws right now, which we have to do to raise money in the US, but also you're going to be getting paid a 3% annual yield for the first three years even during that lockup period, and you're going to get a significant Equity stake, which is cool. And based on all the deals that I've seen, I haven't seen a better deal than this.

And this is investor friendly. This isn't something I'm looking to make money on tomorrow. We're going to be locked up a year longer than everybody that comes in for this, and we're really, really excited about it because we're seeing a lot of demand with the partners that we're working with to create the platforms and stuff like that. And again, it's a fantastic deal. We're very excited and that's really going to accelerate our growth process which we want to bring our name and I brand to everybody and level that playing field and let everyone have access to the stuff that I have access to and the investors I have access to, this way I hope we can all make money together. But if you're interested in that credit investor, you email me frank@curzioresearch.com, getting tons of questions, answering, going to set up specialist thing and just highlight the news and different events that I'm seeing, which is fantastic.

But if you're interested, just email me frank@curzioresearch.com. So that's it for me. Thanks so much for listening. I'll see you guys in seven days. Take care.

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