WALL STREET UNPLUGGED

AUDIO TRANSCRIPT

Frank Curzio: How's it going out there? It's Wednesday May 17th and I'm Frank Curzio host of the Wall Street Unplugged podcast where I break down the headlines and tell you what's really moving these markets.

You know, I'm not a fear guy. I don't come to this podcast and tell you the markets gonna crash by 50% so I can sell more news letters, 'cause, as we know, fear sells. In fact, I've written about the fear industrial complex before and basically it's about how politicians, activists, corporations sell the public on horrible dangers that exist in society right now and then, once the public is terrified, the remedies and solutions to the problems are pitched or maybe you should say more forced upon the public.

Then you have the media. We give the media the choice between, say, writing a story about nice, little third graders starting their own charity or how a woman murdered her cheating husband, you're gonna take the murder every time, right? It's pretty obvious. You have fear equals eyeballs. Real or fake, doesn't matter the story. People are just mesmerized by these messages. Look, over the past few years we've seen that first hand. Ebola stories where, "We're all gonna die!" When Ebola broke out in West Africa and there were a few people that came into the US infected. I mean, remember the stories that went through the media? It was insane.

"Quick we need a virus to cure all of us! We're all gonna get it! It's gonna spread like wildfire! We're all gonna die!" It's not even a story anymore.

What about the Zika virus? It scared athletes so much they skipped the Olympics even though it was winter time during the Brazil summer Olympics, which cut it down by 80% mosquitoes. People still skipped the Olympics. Have you heard any stories since then? Not really.

We look at Donald Trump. He won his campaign based on fear, scaring everyone into believing our country's headed for disaster. "Illegal aliens are entering the country! They're rapists and murderers! They're gonna kill us!" The country was fine. It wasn't

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that bad. Market was still at an all time high, went higher after he got elected. But things were pretty good, I thought. We always complain as Americans. We're pretty good. Economy's okay. That whole Trump thing also explains my rant on Friday about how the Democrats are just pumping the media with the Russia thing, like Russia had a plan all along to get Trump elected president and how he should be impeached.

Okay now I'm gonna get political again, a lot of nice comments. You'll tell me to shut the F up and F this and that. I get it. I get it when it comes to politics. People get heated, especially now. I mean, impeached, probably the most marketed word on the planet, right? Such a great word. But hey, everybody's buying into it right now. The media's pumping it, which I get. They're on a roll with it and yeah, instead of focusing more on North Korea who's testing missiles by the week or coming up with a bipartisan health care bill where maybe guys like me don't have to pay $3,000 a month for insurance while paying super high deductibles and huge co-pays. You guys keep talking about impeachment. That's fine. That's cool. That's exactly what the world wants. You guys to fight even more.

Okay, back to the point here. You know how I feel about the crazy market calls. I'm sure you heard your share since the credit crisis. Just do a google search on Marc Farber, Peter Schiff, Harry Dent. You'll have a lot of fun with those. Had the market crashed by 60% from today's prices these guys would still be wrong from their original predictions of, what, like a 70, 80% crash. Go buy a cave! I mean it's crazy. Right?

Now why am I bringing all this up? Because we just had a cyber attack this past week, right? The ransomware cyber attack. A wanna cry malware where, I guess that's what it's being called but it holds computers hostage. It says your files are encrypted and you have to pay a certain fee. It's only like $300 to get access to your computer again and some people are actually paying it. I think they generated probably 50, 60, $70,000 or something that I saw. But this latest attack affected over 200,000 computers in over 150 countries, mostly in Europe, mostly in Asia. Guys, you know me, especially if you've listened to me for a long time and I'm not a fear guy. Cyber crime is the biggest threat to our wellbeing by a mile.

I have several friends in this industry, one in particular who's been, who is one of the best hackers you'll ever see. He's a consultant to major media networks. Works with Facebook, Google analytics. Does consulting work for the government. He gets hired to

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break into top government sites and organizations, which he can usually do within 10 or 15 minutes. That's what they do with these hackers. They hire 10-15 of them, no way to know for sure. One talk with this guy and you would be scared … I don't want to curse but you can guess the word.

Look at myself. I've been hacked, I don't know if I've told you this story, not long ago. It was about six months ago for $25,000. I have a Brokersure where I trade stocks, I wire money in and out from time to time and one day my broker calls me and says, "Hey did you request a check from a third party for $75,000?"

I said, "No."

He said, "What about one for $25,000?"

I said, "No." And I got on the phone with them. And I told them, "I always call you first before I do wire transfers." And what happened was someone hacked my email account, which is hard to do. It's not just your standard password and stuff like that. There's a lot of security on it and they wrote to my broker using my language in the email. So I pulled up emails when I communicated with my broker and I was like, "Hey Bob. What's going on man? I need a check for 25. Could you send it to a third party?" And blah, blah, blah. And all this but it came like my language of how I talk to my broker 'cause they read all the emails.

When emails were sent back to me from the broker, my broker sent emails back to me, they set up filters in my account so any emails with the words transfer, money, stocks, name of the brokers firm, would just automatically get deleted or go directly to the hacker. He was basically communicating with the hacker. I didn't even know about it. I didn't know until the second time he wanted $75,000. They sent them a check for 25 grand and I got hacked. I had a lot of security on my account. I talked to my friend he's, "Well, we sort of like the trail from Europe and stuff like that. There's basically nothing you can do."

Now I just read in the Wall Street Journal it's huge, it's a big thing but wire for use to be very, very careful wiring money and stuff like that but if they hacked your email account, everything's online. There's ways to prevent it. You can buy LifeLock now, which insures you for over a million dollars and stuff but hey, this is me personally. Look at it on a much bigger scale. Our entire planet runs on the internet now. Nuclear grids. Our government. All of their divisions where our weapons, how to build them, who owns them, the part makers. Everything is online and it's being stored.

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Our utilities. Our entire electric grid. Credit card processing. Credit card processing is massive, guys. Massive. Think about if you could hack one of those sites, any store you go into they all have credit card processing. You're always putting your credit card ... No matter where you go you're always using credit card. Everybody hardly uses cash now. You can hack into these systems. Five years ago, same guy I've been friends with him for over 10 years, he told me.

He's like, "Every company in the fortune 500 has been hacked."

I said, "No, you're crazy."

He's like, "Every single company's been hacked. Trust me. I know. Every single one."

So you're either gonna know about it because they announce it publicly or they'll get hacked and they'll just never tell you. I thought he was being paranoid at the time but then Sony came out a few years ago, it was 2014 or whatever, they came out and said, "Oh we got hacked." They came out late. They got hacked a few weeks, a few months ago. Then look at Yahoo who got hacked in 2014, didn't say anything and now it's getting up to the point where it's the biggest hack in history ever.

Over one billion emails and information has been compromised but this is the biggest story and biggest fear we have in the marketplace today. You can have young hackers who are brilliant, right? These young kids really don't understand a grasp of consequences of their actions to where if they hack the wrong company or industry it could have dire consequences if that information gets into the wrong hands. Looking at every company who's been hacked. Every retailer, every defense company, every bank. It's pretty crazy.

You may think from a stock perspective, which may not be a big deal when the world's getting hacked. You're like, "Well, cyber security stock should do okay." This is an incredibly tough industry to gauge. Sure as a trading idea, yeah, it makes sense. I mean these stocks are gonna raw hire every time we have a big hacking scandal like we're seeing in the markets today, right? It's been on CBC, every where's being reported. And again you're looking at probably 90% of companies still don't have enough protection against hackers and this is coming from my guy.

You're looking at most cyber security stocks like FireEye, Palo Alto, CyberArk. What else we got? Splunk, Symantec, they have really

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tough business models. I follow these companies for a long time and I was well ahead, like five years ago I was talking about this saying, "Wow, cyber security. This will be great!" When you look at these companies it's very difficult to make money on 'em 'cause they charge a lot of money up front for a sweeter packages but then fall short on the generating that services income or money every month to continue providing these services for clients. That's why every time they report, I mean almost every single quarter they get completely lumpy.

One quarter they'll blow out estimates due to strong orders. The following quarter they'll miss by a mile and they'll say, "Well, you know, we had some delayed orders." But it's a tough industry to make money in. Get a great industry to trade but tough to buy the names because even though they operate in a secular market they haven't really found a way to generate steady, unpredictable income strings where investors could basically feel comfortable buying and holding these companies long term.

You take Palo Alto for example. Since last year, this is the last twelve months, the stocks started at 145, fell to 120 in June, hopped up to 160 in September, I have the chart here, fell to 125 in December, back up to 155 in February and was recently trading at 108. FireEye's another one. It was 40 in 2013, went to 85 the next year, fell to 30 in 2015 and went back up to 50. Now it's like 15, 16 bucks today. They're more volatile than junior minor stocks.

So be careful buying these names in the industry based on headlines. You're better off waiting for a horrible quarter or really bad news and buying the dips. That seems to be the best strategy when it comes to these 'cause it's a really tough industry. If you think about the industry itself basically it's about paying for something ahead of time, or before it happens, which people and companies hate to do.

It's like DNA sequencing, right? The greatest technology, I believe, in the world. I've had this done. They screen my DNA to tell me what diseases I'm likely to contract based on my genetic structure. I did it. It's awesome. Everything turned out great except for one thing. It said a high percentage for skin cancer, which is kind of important since I live in Florida so I wear sun screen. I wear shirts when I go swimming. I'm 45 and I should be doing that anyway. Not sure anyone wants to see a chubby 45 year old walking around the beach, but it does help for me because that's something that's very, very important. I want to live longer, but most people won't take that test because they don't want to know if they have a certain gene where they may get Alzheimer's a

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decade from now or breast cancer.

So it's kind of like when you're buying something for the future we're hoping something doesn't happen. Sometimes it's a bad business model. It's not the best business model. So cyber security stocks, be careful. I don't see it as a great industry. I mean, it looks like it's gonna be a great industry. You see things like this and you want to buy a lot of these companies. It's just a tough industry to invest in right now.

My advice in the scheme of things, let's forget about stocks for a second, is make sure you're protected. If someone wants to hack you they will and you kind of can't stop them but it does help to get something like LifeLock, which I got. They'll insure you up to a million dollars. Feels like I'm doing a commercial for them right now but, and this was given to me by my friends. This is a great system but make sure you're protected. Be careful because if they want to hack you they can probably hack you but it would be a lot harder if you do have things in place.

Again, this is one of the biggest threats, I think, to the markets, to our society, to our well being since everything, you know, digital, guys I've covered these trends so many times for my newsletters. Everything is online now. Everything is stored. Everything is there and we're talking about nuclear, we're talking about electronic grids, talking about defense companies. A little scary when you think about. I don't mean to scare the crap outta you. I have a lot of incite into this industry and follow cyber security stocks for a real long time in the industry but I did want to share that with you.

Now from one crazy industry to another, I'm interviewing one of my favorite guests, one of your favorite guests. His name is Marin Katusa, founder of Katusa research. One of the most connected guys in the resource industry. Marin's come on this podcast giving you numerous winners. Some of the stocks have gone up 250% inside of 12 months. You've heard so many names that have been falling back to earth, which we've seen. Probably stop a lot with his initial recommendations and if you bought early enough. Marin's back. He's gonna talk about the state of the junior resource industry. It's an industry that's been getting crushed for the past few months and Marin, well he believes we're gonna see a lot more pain ahead over the next few months.

You heard that right. Someone who does just about all his business in this particular sector, junior resource sector, and will sell a lot more newsletters by people super bullish, is saying that, you know what? Investors need to be very, very careful right

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now. Especially if you own those junior mining stocks. There's a huge reason why, he's gonna share with you in a minute. Marin's also gonna break down gold, uranium, two markets he follows religiously. Like always he'll share some of his favorite stocks to buy and pick up and also give us an update on Northern dynasty, which I'm getting a lot of questions on. I want to hear it from him not from the me all the time. So he's gonna break that company down as well.

So really great interview coming up. In my educational segment I'm gonna show you why you should be aggressively buying oil stocks right now. Touched base on this Friday, a quick question. I gotta elaborate why all stocks offer amazing returns for investors looking to hold these names for 12 months or longer. Little difficult, little volatile on the short term. Great segment you don't want to miss since 99% of people are super bearish on oil stocks and oil prices including Marin Katusa, which you're gonna hear in a minute. But in this segment I'm gonna explain why they're all dead wrong or if I'm the idiot and I'm gonna be dead wrong, which I don't really think I am gonna be after you see the details and the stats I'm gonna present to you in this educational segment.

But before we get to that let's get to my interview with the one and only, Marin Katusa. Marin Katusa, thanks so much for coming back on the podcast, man.

Marin Katusa: Oh it's a pleasure, buddy.

Frank Curzio: Well, it's been pretty terrible in the industry, right? I'm trying to think of a better word. I don't know if I can think of a better word but you see most gold companies, silver stocks over the past few months really come down hard. They caught a lot of people by surprise especially since the recent rally, even though they're up significantly still since the December 2015 lows, at least most names, but you're predicting more pain ahead for junior minors. Why don't you tell us why?

Marin Katusa: A few reasons, Frank. In the junior mining industry it's kind of like the, similar to what you have in the Russell 2000, Russell 3000. There's something called a GDXJ. It's run by the VanEck group of index funds and about a year ago it had over five billion dollars in assets. Essentially how much money it was valued as the public companies that it would buy shares it. Now that doesn't sound like much, and it's not when you compare it to some of these other big index funds that you see. The big difference, Frank, is that the GDXJ was set up for people to invest in an index. Rather than picking one or two stocks they can own 30 stocks. 25 stocks on

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an index. But what happened was because it was 5 billion dollars the combined market cap of all of these juniors was less than 20 billion. So one index had a huge, huge impact on a sector.

Now, it gets worse. A lot of hedge fund managers who are trying to play in the resource industry, they have to be compared to something so everyone kind of accepted that it would be the GDXJ and what happened then was their performance was based off of the GDXJ. The hedge fund managers, how they get paid depends on how they perform versus the GDXJ. With the GDXJ basically growing to 5 billion dollars they started owning 19.9% of these companies, these small juniors, especially during the washout of 2014-2015.

Rather than buying these junior companies, which the index was created for they had to go up the food chain and get bigger and bigger companies. They started buying one and two billion dollar market cap companies. So they're not really juniors they were really big mid tiers and, in fact, now the GDXJ said, "You know what, we gotta rethink this. We're now going to change the way we're doing this and essentially it's not about juniors anymore it's about very large mid tiers and small majors." For example, Kinross, which as a major produces over 3 million ounces, the GDXJ announced that they're gonna buy Kinross. It's really thrown the junior world upside down.

So if you're in the GDXJ and there's some companies that have 19% of their stock in the GDXJ they're gonna be selling this starting now, but you see the volume, Frank, isn't there. And then on top of that you now have hedge funds who are gonna be shorting these stocks ahead of the GDXJ selling so it's all compounded. That's kind of one of the reasons why I think a certain subset that published the companies, which are in the GDXJ, here's your excel list, here's how many shares the GDXJ owns and then I kind of walk people through going, "Okay, be careful and these are good companies but your return is based off of what the price you pay for the asset so take your time. Buy wisely. Buy patiently but start building your positions in the best companies." That's why I think the junior markets are gonna start having a bit of pain here.

Frank Curzio: Now Marin, there's a few things here because I used to do this even when I worked for Kramer. The Russell rebalance it's called. They were doing it every June, I think they do it a little bit earlier, but it's all based on market caps so you kind of see it coming. When you see this, so it's not like someone gets a random call and all these companies are sitting by the phone to see if they get into the Russell, it's based on market caps so weeks ahead of

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time, unless something drastic happens, a lot of these guys are definitely gonna be in it.

Now is this factored in already since people understand it or you think there's so little coverage in the sector that once that money comes out you're really gonna see these things completely crash?

Marin Katusa: Well GDXJ is different than the Russell. So Russell's just flat out market cap. GDXJ has a bunch of different metrics. For example, they changed the metric that it has to have a 90 day average volume of a million US. So things in the market from a bear market to a bull market plus they have other metrics so when you look at just that factor in such a small industry a lot of people are not paying attention to this and that's why, essentially, until I published this it was a non-start in the industry and now it's kind of like people are going, "Wow, this is pretty serious."

Frank Curzio: Now let me ask you a question too because what you bring up, you talk about this fear but what I like in this story, guys, is on Katusa research, it's for selling, right? So this isn't fundamentally based. So there's gonna be really good companies with really good managed teams that get sold and what we love to do as you and I, I like to consider ourselves sometimes experts, but we look for times like these when there's forced selling. Where it's not for fundamentals where it's a fun blowing out where they have to sell shares 'cause you'll see sometimes really good companies get crushed but there's a way investors could take advantage of this right?

Marin Katusa: Definitely.

I call it the trigger effect, and it comes down to, Frank, we want to buy when others are forced to sell. You do not want to buy when others are happy and aggressive and buying because it's competition for your capital and if people are selling your capital, now, is worth so much more. There's some really good companies there that I've met with multiple times and they phoned me up and said, "Marin, would you like a couple of policies?"

And I said, "You know, I'm just gonna hold back and wait because patience is on my side." The sellers have gravity working for them. When you buy you have to work up gravity. It's a lot. These stocks climb on a painful, long staircase but when they drop, they drop on an elevator so take your time. Be patient. But you want to buy things that are unpopular and right now ... how many times, Frank, have we talked about the sector when nobody wants to talk about it and then six, nine, 12, 18 months later you pull a 10 bagger. That's how you do it in the industry.

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Now the producers, you know a couple that produces a quarter million ounces a year, you're not gonna make a 10 bagger on that, but you can double and triple your money quite quickly. Especially if you buy on a force sale, like I foresee happening in the next 90 day.

Frank Curzio: That is very interesting. Now I want to change the tune here 'cause I mentioned earlier how gold is breaking down and, not really so much the gold price, but you're still seeing a lot of selling in some of the gold stocks and junior minors, however; everyone's talking about crypto currencies just like everyone's talking about marijuana, everyone wants to talk about things when things are going much, much higher and now you have crypto currency, especially Bitcoin going higher. You've talked about this I want to say aggressively through twitter and even on your site, not so much a fan of Bitcoin are yah?

Marin Katusa: Well, look. I look at Bitcoin and it's wild. You publish something about Bitcoin or any of the crypto currency and if you say anything against their mantra you're gonna get attacked. It kind of reminds me of the GATA crowd, the Gold Anti-Trust group. And I've always thought that the Bitcoin crowd are the same where they won't listen to logic. And look, I laid it out and said, okay, If it's not an irrefutable store value, and I laid on here the reasons why, but there's over 700 crypto currencies, Frank. It's not just Bitcoin and all that.

The market cap at Bitcoin is lower than Barrick, which is the worlds largest gold producer. And I sit there and go, okay, what if each one of these crypto currencies is like a goldmine? You know, different gold mine's around the world. Okay, let's work it like that. At the end of the day gold is gold but each of these crypto currencies are a bit different.

Now, the concept's kind of cool but it's kind of like communism. The concept on paper's kind of good but the problem is it doesn't work in reality. And people say yeah but they're never gonna make more by the time Bitcoin, you know, one block every 10 minutes and then every … Yeah but you know what? Here's the reality guy. Soon greeds gonna come and they already have arguments. Shooting power is changing drastically every year and who says that they're not [inaudible 00:24:38].

So what if they start diluting it more? And as their currencies are competing with it. What about the Bitcoin blockchain? It was kind of a solution waiting for a problem but guess what. Visa did their own blockchain. There are so many private industry blockchains

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that the reality is this concept of the Bitcoin blockchain came and went. I'm sure a lot of your crowd is gonna hate me for this but the facts are the facts.

Now go, whatever, go Bitcoin's trading over 17.50 right now, but go read my essay on it and it's all logic. It's sound and I'm right so that's it.

Frank Curzio: I like that. Again, we're not talking about Bitcoin how it's terrible as crypto currency, alternative currency, we're talking about the valuation of it, right? So I mean it's getting like, the valuation's insane right now; however, we also have to be aware, where I learned the hard way, you don't want to short things that are completely loved sometimes. So do you worry about that to the point where people are telling me they were shorting Tesla at 200, 150 even worse. You know, you're selling. You always see this even Netflix or whatever. Just the-

Marin Katusa: The graveyards are full of heroes trying to short things. I don't bother shorting. I just look to place my capital where I see the biggest price appreciation, Frank. That's kind of what I do. It's all about the cost. If your viewers get anything, whether you agree with my Bitcoin stance or not, whether you agree with my resource, you know I've got one of the top performing funds over the last decade in the whole industry. The fact of the matter is I look at everything and go, okay. My cost of capital is this and what is the price I'm paying for this asset?

That is the key because in the resource market there's stocks that were over $20 six, seven years ago that I scooped up under 50 cents with warrants and what really changed fundamentally other than perception of expectations. The asset was the same. It's just the psychology, the understanding, the momentum, all of that changed. So the key factor that I try to stress to my subscribers is the price you pay for the asset is absolutely critical.

Frank Curzio: No, it definitely makes sense. And let's get back to the gold market here for a second because you get these questions all the time but what actually does drive gold prices? Obviously we're seeing that inverse ratio to the dollar. Is it inflation? Is it fear? Maybe it's the possibility of it being an alternative currency, but how do you look at the macro? Because a lot of people say well the macro's not important here but it's-

Marin Katusa: First off, Frank. It's not an alternative currency. It is money and it has been for over 5,000 years. That's not what drives gold. There's

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the fundamental supply and demand. You look at, you've been with me through many mines, and you look at how hard it is to produce the average grade of gold is decreasing. So in a way it's the exact opposite of the crypto currencies where the crypto currencies, if you think about it, they have the computing power of getting better and better, what they call the E minors, the opposite is happening in the gold market and even the silver market, where it's harder and harder, it's taking more and more, to produce an ounce of gold.

You look at the nationalization that has happened in the past, whether it's oil or also precious metal. Look what's going on in the Philippines and Indonesia. It's getting harder and harder so these big mining companies are moving towards safer jurisdictions. Look at, just today, you had a buddy of mine's company get bought out in Quebec by a larger company. You look at what's going on with Gold Corp and Agnico and Barrick, they all want exposure in North American because the reality is it's becoming harder and harder to develop these multi generational assets in politically risky jurisdictions.

So, you know, the answer to your question is what really drives the gold market? All of the above.

Frank Curzio: Now how important do you look at that 'cause even when, we're always focused when we look at projects or whatever we invested in. We're looking at management. We're looking at geography., infrastructure as well. Grade, size and deposit. But all of that could be absolutely perfect, absolutely perfect, but I've never seen an industry where all those fundamentals line up but you could lose %60, %70 percent of your money simply because of the macro factors. So what is the most important thing? Is it the dollar? Is it inflation? What are we looking at because it seems like that's the biggest driver in gold prices and gold stocks.

Marin Katusa: I guess the most important factor is, what is your time frame? And I think when you look at these investments and you go, "Okay. Am I short term money or can I ride this out for 36, 48 months?" And I'll give you an example myself. It doesn't always quite workout the way you expect. Look at when I joined, I was one of the founders of, you've been to the mine, Copper Mountain mine, and you see it's the third largest producer in Canada and I had a five year plan for that.

Well, I rewrote the third five year plan two years ago so, I've been on the board for 12 years, it doesn't quite always work out the way you expect but you stick through and you go but there's the

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absolute correct. What happened with the Lehman crisis directly affected us because the fund managers we invested, they had redemption and the domino effect hit us hard because we had free trading paper from a financing four months early go free trading the same day Lehman brothers went bankrupt.

So when you're two dollars a month before, you drop down to 30 cents, then the global macro environment improved and we were eight dollars 30 months later. So you go from 30 cents to eight bucks and the moves from the resource market are incredible so the key is never be fully invested. I get a lot of heat from people, like right now I'm, I don't know, 65, 70% cash. I'm waiting for my time. The most I was ever investing was probably, well, in the crash of '08 I was pretty much, early '09 I went all in, but other than that maybe mostly 75% invested so have, always, deployable cash because things, like you mentioned, things that you're not going to expect to happen, these black-swan events happen and if you like the stock at three dollars and nothing's changed and the management team are just as good as they were before and the resource is just as good as it was before and the global macro environment, or some forced selling, for example the GDXJ, shorters come in and now they're shooting at 60 cents.

Should you sell because there's stop loss hits or should you back up the truck if your thesis is still correct? I come from the school of thought that I back up the truck if my thesis is still correct.

Frank Curzio: Now let me ask you a question. We're looking at gold and some of these gold stocks come down, what are a few names that you could share just in the gold industry 'cause I want to get to uranium really quick, too, which is a sector, I think, is ripe to go a lot higher. But what are some of the names you could share that you don't really have in your newsletter that you're looking for. Where people might say, okay, what names should I look for? You just told me that, in a couple months, the GDXJ has been very, very careful. Some of those companies might sell off. Is it better to buy some of the big names now or just hold off until you see this sell off and maybe buy some of the names that you like?

Marin Katusa: I would hold off 'til you see the sell off, Frank. Remember the old adage that you sell in May and go away? You're coming into a dry market. You have this forced selling, the rebalancing of the GDXJ. You got the Russell effect, you got these hedge funds now. I want to explain another thing. There's been a major shift behind the scenes in a lot of the fund managers.

Every year there is one conference where the top 75 fund

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managers in the industry get invited in the resource sector to this conference in Florida and we all sit down and we all talk to each other and here's the facts, Frank. A= lot of these older guys, the guys who are mentors to you and I, they were waiting for one last tip of the can. Well guess what. They got it in 2016 and they made a bit of money. They decided that they want to kind of start enjoying their life because, guess what, they're in their late 60s, they're in they're early 70s, they're in their 80s, and there's been this massive turnover in the people who are managing the money.

What happens with that is a lot of people go, "Okay, well I'm gonna cash out the funds." There's been a real rebalancing in the way money's being, as we've gone more from hedge fund managers to private offices and they're going, "Wait a second. I don't need to invest in some hedge fund manager index. We can hire these young guns to work for us rather than take ..." Remember the industry was set up on a two and 20. Less than, I think it's less than 30% of the resource fund managers actually own shares in their own fund which I just sit there and go, that's insane. Just like you would never buy a gold company ... Would you ever buy, regardless of how much you liked it, if the president didn't own any stock you wouldn't buy it, right? Because if you're feeling pain as a sharer he's gotten his paycheck and he doesn't give a shit, right? He's not feeling the pain. He doesn't have to sit there with his wife and go, "Sorry, I lost 50% percent of this investment." Right?

Well in the resource sector, in the fund managers, I think number was like 22% of the fund managers actually owned shares in their own funds. That's insane. So these guys are taking massive punts because it's based on a two and 20. 2% you get paid on the assets of the management and you get paid 20% of the success fees. So if you make 100 million the fund manager gets 20% but these investors have realized, what a second. These guys are taking massive risks because they're focused on the 20 not the two and that's how these fund managers are getting rich.

So that's starting to really change in the industry also. So the industry's really at this interesting focal point where I see a lot of changes happening and, you know, like in our portfolio, you don't need to own too many names, Frank. That's the key. Realistically how many gold stocks do I really need to own? I don't need to own 25 gold stocks. It's becoming a mini index, well what's the point in doing that? And a big problem is so many retail people follow these gurus, these newsletter writers or these talking heads. Ask yourself, is this newsletter writer getting paid or is he putting skin in the game? He tells you what price he's paying. He telling you

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when he's gonna take profits. Be careful of the guru. Be very, very careful of that.

Frank Curzio: Yeah that's a good point, too, 'cause I get that question a lot and they say, "Well Frank you're investing in some of these stocks." And I do invest in them and obviously we have to invest after the subscribers get in and again when we sells we want to make sure everyone sells them before us but think about this for a minute. Marin, you say this all the time, which is kind of funny, is if you're following a newsletter writer and based on whatever laws they have, whatever structure they have in compliance, if you can't own your own stocks why would you recommend your best stocks in your newsletter if you can't buy them? It's a pretty good question.

Marin Katusa: You nailed it right on the head. It's just shocking to me.

Frank Curzio: Yeah it is definitely shocking. Well, alright, let's turn the page here. I'm gonna try to get a couple more names out of you later on, but the uranium sector. Everybody knows how terribly depressed, probably one of the most depressed markets I've ever seen when it comes to duration, right? I mean it's been since 2010, again, we've seen minor ups and downs but we're looking at a price, still, uranium prices are low 20s and well over 100 in, what was it, 2010 or so or nine, but in the low 20s, 18 was the absolute low but when I look at the industry, Marin, even when I talk to experts in this industry, the fundamentals are probably the best they've been in a very long time when it comes to more demand coming online. I mean you have Japan and stuff like that and China and also a supply coming off the market due to insanely crazy lower prices.

Is this like, buy a couple companies, close your eyes and open them in three years? Do you see more pain ahead? You have to be very careful? What's your thoughts on this industry, which I know you follow very closely?

Marin Katusa: I followed it for 15 years. I had the benefit of visiting pretty much every single project in North America so here's my quick Cole's notes version. I wouldn't bother investing in any of these early stage projects in Africa, in central Asia, areas in Australia, because, believe it or not, they have a moratorium because of the coal factor and the LMG. Be very, very careful where you're putting your dollars. Ask yourself, "Okay, in this stage of the cycle what is my time frame?" And look, a lot of this early stage stuff in Africa meets $60, $70 uranium. Well guess what. It's kind of like fracking, Frank. The industry has improved so much that there's gonna be an incredible amount of uranium come online at $40, $45.

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So people are like, "Well, you know, when uranium gets to $80 ..." These projects, these out of the cull money options, it doesn't work. Plus the infrastructure costs. I've been to projects in Africa, you're sitting there going, "What the hell?" No power lines. No infrastructure. It's gonna need $80, $90 at least to come online. That might have made sense at one point but I just look at it as, when you go to the US it's still the largest consumer of uranium a year, somewhere between 50 and 55 million pounds a year, and they produce less than four.

So they're making up the difference in the secondary markets. Well, what's a secondary market? Well, 50% of what they consume still comes from either the Russian or the Kazaks. You look at Canada and Australian and the DOE's supply. So I look it as going at least you got the rule of law and infrastructure so for myself I'm focusing on North America and it's greatest king, which is in the althkabaska in Saskatchewan and ISR as queen, which is in the US.

So for myself I own only two uranium stocks and I just kind of focus with that.

Frank Curzio: Last thing here 'cause we got about three, four minutes left, you're very vocal when it comes to oil. Oil prices, you've seen a lot of supply come online. What are your thoughts on oil? I'm starting to pick away. I might be a little bullish but I think I want to get your opinion because I love having two sides of the story. What are your thoughts on oil going forward because someone's familiar with the technology in this industry?

Marin Katusa: Yeah, look Frank, I truly believe that the innovations in the oil sector are so advanced that I don't think the market has come to accept how efficient in the cost reduction. You look at certain areas. You look at the Permian in the US or Montney in Canada. The Montney is, up there in Canada, pumping out 2,000 BOEs a day. These economics are competitive to when I went to Kuwait. You look at six month pay backs. Well that's happening now in North America.

So the technology is being able to unlock the shale formation and the trend is your friend. The innovations not just with better fracks and faster drilling but the data. Each well is getting it's individualized love that it needs so with pinpoint fracturing coming in, I just see that, for me, in Canada, I'm focusing on condensate, which is essentially rocket fuel. When Henry Ford built the model T it was originally designed to be powered off of condensate.

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Condensate is the key diluent used for the Canadian oil sound and the Canadian oil sound is the world's largest oil infrastructure. It is bigger than Saudi Arab Co. When it comes to cost invested to build that heavy oil infrastructure. So the Achilles heel of the oil sound is condensate, that's what I want to focus and for the US just continuing the lowest cost quartile. I personally think we're gonna see range bound but I wouldn't be surprised to see a three handle on oil quite soon, Frank.

So for me I think $35, $45 dollar oil, you're gonna see very little oil destruction's in production.

Frank Curzio: Northern Dynasty, came out with good news. You're seeing a little bit of a sell off. Again, the stocks been incredibly volatile. When you compare it to everything else it's probably up over the past six months, nine months or so but the recent news, I think, has a few people surprised. What are your thoughts on Northern Dynasty and the future of the company?

Marin Katusa: Well, first of all let's go through, it's almost two years now that I got involved in refinancing the company putting almost $40 million, a little over $40 million actually, Canadian into it. So what's that, 25 US? Helping in a way to bring a stronger board, you know, it's just like the games changed where different players, there's some great guys there that, just where the company was it needed a different strategy and think about when we were on sight, what 10, 11 months ago Frank?

Frank Curzio: Mm-hmm (affirmative)

Marin Katusa: There was a 40 cent stock and I became one of the largest share holders in the company and when Trump won the election a lot of newsletter writers came in and a lot of excitement and expectation came on the stock but what was it about? It was all about the 403C Veto, which the EPA slapped on it preemptively and that got listed on Friday and when you look at the pre-market it got to as high as 350 and with the incredible amount of volume it traded over 40 million shares between the two exchanges. In fact on the Canadian exchange it got halted twice because of the fuses. It was just the trading, the volatility. A 10% percent swing in less than 10 minutes and the exchange just halted it.

I've never seen anything like this in my 15 years of doing this. I've talked to guys who were in the industry for 50 years, they've never seen it. And it's such a tug-o-war where the shorts are going after the retail game but the shorts big thing was this is a useless mine and it will never be in production and the EPA will never allow it

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to move forward. Well, that's not true. They came to a resolution and now the company's allowed to move forward in a normal permitting situation. I expect them to move forward.

What I think's gonna happen moving forward is they'll probably submit a smaller footprint. So when you look at, let's compare the footprint that Pebble would have compared to NovaGold or Seabridge, it's much smaller but it's a much, much richer mine, okay? That's the key. So let's think about a macro perspective, Frank. What does a big, big mining company need? They need multi generational assets in politically safe jurisdictions and Pebble fits the bill. So all the people that say Pebble's too low grade or it doesn't work, they need to go back to mining 101 or at least go talk to someone who knows mining.

A lot of the bullet points or advertising points that these shorters used have already been proven wrong and the next one is gonna be a joint venture partner. I don't know when but on the conference call they said they expect it before the end of 2017. You bring in a joint venture partner that eliminates all of that negativity about, oh it's not an economic mine and all that. So I see a joint venture partner but the market volatility, the way it trades, if you bought it just for the one pop you would have been disappointed because it traded at over $3.10 Canadian and within three hours it was trading at $2.40, then it went to $2.80, $2.50, $2.20, back to three bucks. The trading on that was wild, Frank.

So it's almost as if the day traders are in there, the shorters are in there, people are taking profits, someone's building a long position 'cause they're trading 40 million shares but then also how much is the algo's trading back and forth? I have no idea but I suspect that a big chunk of that volume is probably algo's trying to shake out people for the short covering because it has 30 million shares short on it still today. So the shorters have to cover eventually, you know? They can't just keep rolling over the short. They're going to have to cover and I think the next big catalyst is bringing in either an equity partner, like a major coming in to buy 10% of the company or 19.9 like they did in the past with Rio Tinto buying 19.9 and then bringing in a partner like they did in the past with Anglo that was to earn them as a 50/50 trade venture partner.

But for myself, like in my newsletter, we were the first to write it up. We got it under 45. I told people to take it as a free ride above 90 and then I stated to everyone sell a little bit on the expectation of the announcement of the 403C veto. And then the next big catalyst for me, I still own a lot of stock. When they bring in the joint venture partner I think the stock has to be a lot higher than it

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is today. That's what I'm speculating on personally but you never know. If there's a major global crisis and copper goes down to a buck 50 and gold goes to 800, well, the whole sector's gonna be hit.

So that's the way I'm betting on it, Frank. The key is these types of assets, they truly are world class. You don't get a deposit like this. This'll be the best deposit of my generation.

Frank Curzio: All right, here's a good question for you. Now I want you to put odds on this. When we first visited the mine what was the percentage that you think, Pebble is the name of the big project guys for those of you not following the story, but what would be the odds that you would put on the mine getting developed pre, not in pre but when we first saw it when it was 40 cents a year ago, what are the odds would you put on it, say pre the EPA decision and what are the odds will you put ...

Marin Katusa: Look, today it is a much better speculation because when we were up there, Frank, everybody including friends of ours, mentors of mine, they thought I was crazy for what I was doing. It will go down, probably, as one of the best speculations ever in the resource sector. I would give it, you know, if you were talking about an odds standpoint, when it was in the 403C dispute with the EPA they weren't even at a stay yet when we were there. It was ugly. They were spending 2 million dollars a month US on legal costs fighting the ultimate battle with the government. You know, that's something you can never win because they don't ever run out of money. It's the government. Whereas you're a private enterprise.

Today they're not spending money on the legal. They're moving forward with permitting. It'll cost about 150 million dollars to finalize and receive the permit. Before that happens I think they have to attract a joint venture partner and they will because of the value of the asset. So I guess it's three times better today than it was when you and I were on site.

Frank Curzio: Now it definitely makes sense. I appreciate giving an update. I'm getting a lot of questions. Some people are like, "All right enough of Norther Dynasty." But there's still so many people that own this stock and they're fortunate to listen to us 'cause we actually went there. You invited me on that trip. It was incredible. I'll be honest with you, before I went there, I tell every body this, I thought it was a stock that you could short at 40 cents, and by the time I saw everything and David Lowell was there who's the greatest geologist in the world and said this is the greatest site ever I just thought the stocks should be trading incredibly higher than what it was and

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look at now-

Marin Katusa: What an incredible story, though. If you ever want a case study to understand the resource sector, I don't think there's a better story than the Pebble where in 2010 and 11 you had the biggest mining companies in the world fighting for this asset. You had Rio Tinto, BHP, Anglo, Newmont, they were all loving this asset. Mitsubishi was a major share holder and six years later, not even, five years later you and I were there and five years before it was trading over $20 a share and everybody wanted it. When we were there it was 40 cents a share and nobody wanted it but what fundamentally changed, Frank? Nothing.

People are like, oh the government this and that but look how fast government can change too. So it was a big, big bet I made and when this all said and done I think they'll make an incredible book out of it if there's any authors out there that are looking for a story, go research the Northern Dynasty story and for me it's kind of a cool feather in my cap that I played a key role at a small junction in time but Ron Theisen and Bob Dickinson and Russ Habower, Marchand Snyman the CSO, these guys need some serious credit because they fought through things that most people could never endure.

It really came down to the tenacity of Tom Collier, the president of Pebble and Ron Theisen and through this battle I became pretty good friends with these guys and built a personal relationship with them and I've got the utmost respect for them because not only are they very smart, hard working guys but they stuck it through for the shareholders and there's a lot of stuff that the shareholders will never know about how hard and dedicated and personal sacrifices these guys made but I think it's gonna work out well in the end.

Frank Curzio: Final question for you is, how do you focus where you have a set of rules where you want to invest in people and good geography and high insider ownership, what are some of the things that you look for investing in oil? And you covered a couple of them where you said investing in the best technology, and I guess also in the best areas, right? The Permian and Montney are the two areas where you can produce and make money at $30 a barrel.

Marin Katusa: Exactly. And again, Frank, you gotta focus on cost of capital. What nobody's talking about in our industry is the bankers because there's so much money on the sidelines they've been funding the energy sector at a loss and that will eventually change but it's gonna be the discipline guys who are gonna take over and take

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advantage of the bankruptcies. So that's something to really focus on but you look at focus on the really, really, smart, successful guys.

We just published a research on a stock where you can buy the company alongside Riverstone at the same price as Riverstone and guys like Mark Papa, who built some of the biggest companies in the history of the US, at his cost base. And it's about getting in early with the right guys at the same cost base. You know what? The reality is I'm not as smart as Mark Papa when it comes to where in the US but if I can get in at the same price at the same time, you know what, I'll put some money towards that speculation.

Frank Curzio: Did you say you're not as smart as somebody? Did I hear that correctly? Man that's a first, man. What's going on? You okay?

Marin Katusa: I've only had one coffee today. Let me get to my third.

Frank Curzio: We'll end with this, Marin. Someone wants to find out more information from you where can they do that?

Marin Katusa: Just go to my website, katusaresearch.com and I publish a free weekly thing or my Twitter handle. I always have something interesting that's on my mind. I've got a very unique access to research whether it's through my industry contacts or the bankers contacts or the producers so I'll always, kind of, whatever catches my mind I'll publish on it and it's just a different take. Like, we're friends. You and I have had a lot of fun going on site visits. We're heading out to Saudi Arabia later this year. Most people don't do that, Frank, and look what you're doing with your podcast. I tune in when I go for my runs. I'm always listening to you.

Remember when you met my wife? SHe's like, "Wow I've heard your voice hundreds of times. I finally get to meet you." So what you're doing is, in a way, kind of what I'm doing just more, I don't do it publicly but it's about getting out there and meeting the movers and shakers in the industry because frankly that's how you get the edge over other people.

Frank Curzio: No it definitely makes sense. I know people can see that first hand with some of the recommendations that you've given them, especially in late 2015, which they're still up on even though the fact that some of these have come down they're still up a lot from the original recommendations, which is incredible. They love hearing from you, love having you on. I get emails all the time, Marin. I really appreciate your time and coming on.

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Marin Katusa: Oh, thanks buddy.

Frank Curzio: Talk soon.

All right great stuff from Marin. Talked about a lot. Our trip to Saudi Arabia's gonna come up in a few months. We tried to go at the end of this month but it got pushed out a little bit further. Talked about uranium prices, Northern Dynasty, and also I made sure Marin talked about oil because I know he has a different opinion than me and I did that on purpose because I want you to listen to everyone's opinion. Again, our goal here is for you to make money. Seriously. If that means me being wrong and you're gonna make money I'd rather see that than me say, "I told you so!" And you get crushed and your wife's gonna be pissed off because you just lost all your money 'cause you didn't follow the right advice.

But I want you to hear both sides of the story 'cause I know a lot of people are on Marin's side here and they believe that oil prices could go lower, in the 30s, and you know, I understand that and that's fine. But I wanted to give you my opinion, which is, take it for what it's worth here, but this is gonna be a really good educational segment. Stuff that you might want to write down.

So in 2015, really quick gonna set this up, I was at a conference. It was for Stansberry and Associates. I wasn't working for them at the time I was working for the previous firm I was working for after SNA, but I was invited to their conference to speak. It was in Vegas. About 3-400 people were in attendance. It was at the area conference center. Great place. But oil prices just fell from 90 to 60. Most people are looking to bottom fish. It's a great opportunity. I saw so many talking heads on CNBC. You have to buy. This is the time to buy since most oil stocks are down about 25% from their highs.

Now when I went up to the stage I asked the audience, "How many of you own at least one oil stock in your portfolio?" And about 98% of people in the audience raised their hand and I put up my first slide and it said you need to sell every oil stock you own right now. People were shocked but after I provided all my stats for my presentation they agreed. They knew why oil prices and oil stocks were about to crash simply because lower oil prices did not result in production coming offline, at least at that time. It's because most of these companies were hitched.

So when prices fell further most companies locked in their production at oil prices over 70 bucks. You can look at Pioneer,

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EOG, so even though they went to 60 to 50 they were producing like crazy 'cause they locked in the price of barrel. They locked in that price. But these hedges were about to come off for most companies. I didn't think that was factored into anything and since the average cost to produce shale back then was roughly 60 dollars in most shale areas, a lot lower today. And prices were gonna head much lower do to over supply I knew that these companies were gonna be in huge trouble because they were loaded with tons and tons of debt that was due very quickly.

They didn't push it out yet like they did today. Over the next 12 months or so oil prices crashed to, what was it, 27, 28 dollars a low. So they got crushed again another 50%. Over 100 oil companies filed for bankruptcy and most oil stocks fell more than 30%, smaller names fell by 50-60%. So it was a pretty good call. Not patting myself on the back but right now I'm seeing the opposite. I think it's a great time to buy oil stocks. You're seeing huge production growth, I get it. You're hearing that people believe oil prices are gonna crash to 30. We just heard that from Marin as well.

But here's why I don't think that's gonna happen. Because a lot of oil stats being thrown out there but here's a few that people aren't talking about. 'Cause first, if you do a google search on the phrase "oil prices will crash" you're gonna see over 38 million results come up, which means that's a sentiment right now. No secret that, you know, we have most oil experts believe oil prices are heading much low, we get it. Why? Because they're seeing excess supply come on the market.

Now in November, the US Energy, the EIA, estimated that US oil production would rise to 8.9 million barrels per day in 2018. Okay, that was their prediction in November. That's about 800,000 barrels fewer than the US produced at their peak in April 2015. That was their forecast, again, in November. Just five months later the EIA revised their forecast sharply higher. They said, "You know what? We now see oil production at 9.7," remember they had 8.9, "9.7 million barrels per day in 2018." So it went from a decrease of 800,000 to all of a sudden and increase of 800,000 or more. To put that in perspective that's more oil than Qatar, Egypt, Argentina produced every day. Significant. Again, we're just talking about five months time.

So you're looking at oil. Most of the increase coming from Permian, I think a lot of us know that especially if you follow my newsletters. It's an area I visit personally. I visit every major area, actually. The Bakken which is in Williston Basin, North Dakota. Also the Eagle

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Ford. About 20 of the 29 counties. But if you look at the Permian, they can produce oil for under $35 a barrel again.

That explains why the rig count at the Permian is up over 150% year over year, okay? You can do google search. You can find that in two seconds. 73% of the nations oil rigs, if you're looking at the biggest unconventional areas, so you're looking at the Permian, the Bakken, Eagle Ford. 73% are operating in the Permian right now. All right? That's according to Baker Hughes.

Now the rig counts come out every week. In the past two weeks, guys listen to this. Oil prices have been coming down, again, they're going up a little bit higher now. Eagle Ford rig count? Zero rig adds. So they didn't add any rigs over the past two weeks, right? They have 83 in that area right now. The Bakken rig count. Zero adds. So in the past two weeks they didn't add any rigs. There's 44. The Permian rig count, the last two weeks, they added 15. That's a big number. They have 357 total. Okay? Compared to, what, like 120 whatever. If you combine the Eagle Ford and the Bakken. Stay with me. I know there's a lot of numbers. You can listen to it again.

Now what does this all mean? The Permian is one of the few areas where more drillers can produce oil at sub $35 oil prices and Eagle Ford and Bakken, there are not many places within these areas where it's economical for drillers to produce. So that explains why oil companies are not adding rigs in these two areas where prices are below $50. That leaves the Permian as one of the one few areas in our entire nation that can produce oil if oil prices continue to fall from current levels. Again, they were 45 a week ago now they're close to 50.

Let's look at production from the three main areas. 'Cause as of May 5th, right, this month, the Permian produced a record, a record 2.3 million barrels per day. The Bakken is producing about a million, which is 200,000 barrels lower compared to the April 2005 highs. The Eagle Ford's producing about 1.2 million. That's about 500,000 than it's April 2015 highs. So the Permian's producing record production. So if you add all these up right now today, it's about 4.5 million barrels per day in oil production. I'm throwing a lot of numbers at you 'cause it's very important you understand this.

It's about 4.5 billion barrels of oil production, okay? That's from the major three unconventional areas in America. Some speculate that the Permian's gonna add another one million barrels per day next year. So bringing the total production from the big three to 5.5 million, okay? Just remember that number. 5.5 million barrels

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per day. It's a drop in the bucket compared to global demand. So if you're looking at the EIA, global demand for oil is expected to his 100 million barrels per day. It's gonna be the first time ever demand tops the hundred million mark.

Now what does that mean? It means 5.5 million barrels per day from our nations, what, three major shale areas, account for just 5.5% of the production. Again, we're assuming the Permian's gonna add another 1 million barrels per day so the Permian itself only accounts for about 3.3% production. So you see your production fears in the Permian and all this news, it's over blown because while they'll producing a ton of oil other areas are not and it's just a small section. It's like a four or five county section in Midland where you have, again I won't get too technical here and lose everybody, okay, 'cause I want to make a big point here. 'Cause everyone's like, "Look at the production. It's coming to life in the Permian." But as prices drop to 45, if they drop to 40, what happens? The Bakken doesn't produce. They're not adding rigs. The Williston doesn't produce. They're not adding rigs. But yeah, the Permian's going higher 'cause the one area they can produce so it kind of off sets each other

Now let's take a look at OPEC real quick. You know, OPEC stands for Organization of the Petroleum Exporting Countries. This agency consists of 13 oil producing nations, mostly in the Middle East. So in November 2016 OPEC decided to cut supply by 1.2 million barrels per day. This was the first time the cartel cut supplies since the credit crisis, which was what, around eight years ago. And OPEC decided to initiate these cuts to help prop up oil prices and it had a pretty big effect 'cause once they announced that oil prices popped about 20%, went to about $55 a barrel in less than a month.

So OPEC is producing 32 billion barrels per day after these cuts. Remember 5.5 billion just from America. Well that's how big OPEC is. And in a couple weeks from now, May 25th, OPEC can agree to extend this policy for another six months and there's rumors out there today that they're gonna extend it and Russia as well is gonna extend those cuts; however, if you're looking at prices they're still weak, so under $50 a barrel again. One of the reasons is because you had the surge in production from the US but there's also concerns that OPEC may not agree to keep these cuts in place. Might say forget it.

Why would they do that? Because fewer barrels of oil being produced means less money to these nations. That explains why oil prices have continued to trend lower over the past two weeks.

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Oil productions coming online but these concerns are completely unwarranted when you look at history. I mean, in 2014 OPEC made the worst move in the history, not in the oil industry, maybe in the world, that I've ever seen. I can't believe it's not more published.

I mean, the organization was founded in 1960, by far this was the worst move that they did in 2014. Oil prices we averaging over $90 a barrel, America was on the verge of becoming the biggest oil producer in the world, just unconventional production, fracking, right? Extremely profitable at $90. So in an effort to disrupt the US shale industry Saudi Arabia thought that they would have a great idea. They're the leading member of OPEC. They decided to suspend quotas and let other OPEC members produce as much oil as they want. We don't even care. Flood the markets. The goal was to lower oil prices enough so that shale production in the US was uneconomical. This way OPEC would gain their edge again and gain market share over the long term.

It completely backfired. OPEC already supplied 40% of the worlds oil back then so you had Saudi Arabia decide to increase production by 11% in less than a month. Iran, Libia raised production by double digits also within a month, two months time. It resulted in millions of barrels flooding the market per day. If you look, almost to the day, from the 4th quarter of 2014 when OPEC removed its quotas, this is yeah, back then, into 2016 oil stockpiles skyrocketed. In the mean time, what they didn't expect is pretty much a global decline in GEP. Germany, Canada, Switzerland slowed considerably. It was developed nations, emerging markets like China, Brazil, Russia also slowed more than economists forecast in 2015-2016.

So you had massive oil production coupled with slowing demand creating the perfect storm, which explains why oil prices crashed 70% after OPEC removed its quotas in 2014. So it was interesting because a director general at OPEC came out with a statement said the cartel lost over two trillion dollars during this oil crash that they created. Two trillion dollars. Nobody even writes about that or talks about that. Two trillion. It makes Enron's $74 million, what is it, loss look like chump change. Or 74 billion dollars look like chump change. Give me a break. Two trillion.

Now what does this all mean 'cause I'm throwing a million stats and you and you're probably like, "Frank, get to the point here." Unless OPECs board of directors are on drugs there's less than a 1% chance that they're not gonna extend those cuts, all those November oil cuts, at least to the end of this year. In fact, I wouldn't be surprised if they increased these cuts to help stabilize

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the price of oil in the near term. It's just crazy to remove them. They're gonna crush prices. Why would they want to do that? Look what happened the last time.

If I'm right it's probably going to push oil prices 55, maybe higher, within a few weeks or months. Probably within a few weeks I would imagine. As it's official. Again, there's rumors saying they're going to extend these cuts. Let's what happens, actually, on that date. If I'm wrong, what's gonna happen? Prices may fall below 40 in the short term, which is also gonna result in a massive amount of oil coming off the market anyway, right? And ultimately that leads to much higher prices.

How do I know this? Well, this is the same scenario we saw during the recent oil crash. Oil production in the US fell by over 1 million barrels per day from 2015, this is April 2015 when they were producing 9.6 million barrels per day, through September 2016, which is around 8.5 million. What happened during that price crash? So production come offline. We saw prices come down but immediately once that production came offline prices jumped right back, really. I mean, the production declines, what was it, oil prices fell to below $30 in February and just a couple months later they popped right to $50 again. A 75% increase, it was less than four months later, because nobody could really produce at $30 a barrel, $35 a barrel other than the Permian.

So if you look at the fundamentals and you look at the stats, and guys I know there's a lot of stats here. But the bottom line is this, if you're gonna see lower oil prices massive amount of production is gonna come offline, just not from the Permian. The Montney in Canada, which Marin mentioned, which is true but there's not a lot of areas that you can make money below $30 a barrel, which means a lot of production is gonna come offline. If that happens you're gonna see prices go up and another major fear is OPEC and I don't see them cutting prices unless they really, really, really hate money and they don't.

They made a huge mistake in 2014 so you're gonna see those cuts extended plus you throw in demand is rising, which nobody's talking about. Again, it's gonna hit the hundred million barrel a day mark, for the first time, in history next year. It's according to, not just the EIA, but a lot of different estimates. So we're seeing demand go higher and higher here. Slowly but it's going higher. You're not seeing demand come offline like it uranium, where they're fundamental shifts in the market.

Which leads to, you should be buying oil stocks right now. A lot

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of these guys restructured their debt, pushed it out long term. They're in much better shape. They cut they're non-core assets. I mean the oil companies are leaner than they've ever been today. They don't have debt concerns. Their balance sheets are much, much stronger. You have insiders buying the stocks. Where have you seen insiders buying anything in this market when it's all time highs? There's insider buying like crazy. A lot of different oil companies.

If you're subscribed to my newsletters there's two, three of 'em where you're seeing insiders buy. Some of the one's that I've recommended. But when it looks at the oil industry you take a look at the oil industry, again, I didn't want this to be that long of a segment but I wanted to explain it to you. Oil prices have no place else but to go higher. So ignore these fears that over production, if oil prices do come lower for any reason you're gonna see a ton of production come offline just like we saw last time it went below 30 'cause nobody can really produce below 30. Yes you have, what is it, Shell's like, "Yeah we can produce a $20 a barrel." Certain wells. Not huge production.

If Pioneer EOG that said, yeah, you know, $27, $28, $30. Yeah it's good but most oil companies can't and especially, and Eagle Ford is very difficult to do and also in the Bakken. And if you don't believe me just look at the rig counts 'cause if you can make money at 45, 47 they'd be adding rig counts like crazy and they haven't been over the past few weeks because most companies have trouble producing oil at current prices in those areas.

All right guys, so that ends the educational segment. Hopefully it wasn't too drawn out but it was very important. You have to put numbers behind it to support my thesis and you have to put even more numbers behind it considering I may be on that island by myself, only person that believes oil prices are going higher. So you need to do a lot of research to prove that and I do believe that oil prices are gonna go higher and people are gonna make money buying oil stocks right now.

Okay guys, that's it for me. Thanks so much for listening. If you're wanting to get more updates and real time updates you can listen to me on Twitter or follow me on Twitter. My handle's @ frankcurzio. A few rants there. A lot of comments. More angry people on there but I do like Twitter. Twitter's an awesome platform. Again, my handle if you want to follow me is @ frankcurzio.

So guys, that's it for me. I will see you in seven days. Take care.

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