WALL STREET UNPLUGGED

AUDIO TRANSCRIPT

Frank Curzio: How's it going out there? It's Wednesday, July 19th. 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 love Jimmy Diamond, the only guy I know that could curse on a conference call and rip Washington and completely get away with it. I guess that's what having a good reputation does. You have no idea what I'm talking about. JP Morgan reported earnings earlier this week, which were actually pretty solid. On the conference call he said, I'm going to quote him here, "Since the Great Recession, which is now eight years old, been growing at 1.5, 2%, in spite of stupidity and political gridlock because the American business sector is powerful and strong, and is going to grow regardless, people wake up in the morning, they want to feed their kids, they want to buy a home, they want to do things, the same American businesses. What I'm saying, is we'd be much strong a growth had we made intelligent decisions and there was no gridlock."

He goes on to say, "I was in France, I was recently in Argentina, I was in Israel, I was in Ireland, met with the Prime Minister of India and China. It's amazing to me that every single one of those countries understands that practical policies to promote business and growth is good for the average citizens of those countries." He says, "It's almost embarrassing being an American citizen traveling around the world and listening to the stupid S-H-I-T we had to deal with in this country and at one point, we all have to get our act together or we won't do what we're supposed to do for the average American."

Pretty cool stuff and I'm going to apologize upfront for trying to talk about politics that much because politics is what? It's like a religion. It's going to be stock-based though. It's going to be a whole [youth 00:02:11] theme, very big theme behind this, so it gives a little bit of a rant because no matter what the facts are, you're never going to change a person's mind when it comes to politics. No matter how much Trump Tweets or what he says on those Tweets, Republicans will always stick by him. No matter

how terrible Obama Cares is, which by the way the average family healthcare plan is what, close to $20,000 right now and rising much faster than wages, there is not one democrat on the planet that would ever, ever, ever vote against it or try to make it better. Not one.

But there are four Republicans that refuses to sign McConnell's new healthcare bill, which will overhaul Obama Care. Apparently, it's not going to happen. You know what, that's pretty cool. They came up with their reasons to oppose. They just didn't believe it. They wouldn't be bribed like so many members of Congress who would not sign the bailout bill in 2008 to stabilize our entire banking system that was under pressure. I don't know if you remember this, some of you do, the bill didn't receive the necessary votes. It was amazing because all of us thought it would. I remember talking to Stephanie [Lank 00:03:11] because I worked [The Street 00:03:12] at the time. She's like, "I'm hearing we're not going to get that votes." I'm like, "There's no way." She actually knew that wasn't going to pass, which is kind a cool.

Anyway, during that vote what happened? It didn't pass and as people saw it wouldn't pass, the market started the crash, right? Then Congress said, "Whoa, whoa, whoa, wait a minute. Maybe this Paulsen guy is right. Maybe we do have big problems here." Since none of them really know anything about finance, you know, "Let's vote again." This is where things got pretty interesting because to persuade the certain members of Congress to change their vote to save the freaking world, right? I mean think about it, if TARP wasn't passed, American world financials wouldn't have completely collapsed, we probably would have 30, 40% unemployment. People don't understand how terrible and how much trouble we were actually in if we didn't stabilize the system.

I don't care how free market you are or whatever, if we didn't, those people in free market wouldn't have a job, wouldn't have company, would be insane and it would have just been America, it would have been the world, right? So they persuade, they had to persuade certain members of Congress to change their vote. These members said, "You know what, we want certain provisions first added to this America's saving bill." Here are those super important items that Congress snuck in to the bailout bill. Again, a bill that had to be passed or America would have collapse. By the way, the bill was originally for $700 billion the first time. The second time, it was for around $800 billion, which added $100 billion and pork to the bill. So again, these things are always extremely important, these measures, I'm going to tell you. It is the

reason why we elect these officials to make the right decisions.

So, in that bill the bailout bill. $2 billion of tax benefits for makers of wooden arrows for children, very, very important. $100 million tax break to benefit auto race track owners, again. $192 million in rebates on excise taxes for the Puerto Rican and Virgin Islands rum industry. I guess that's really important. $148 million in tax relief for US wool fabric producers. Seriously, this is what are politicians, this is what they put in the bailout bill to get it passed. Since they thank God, the bailout bill passed, it's very, very important, otherwise that race track owners would no longer been able to drink rum in Puerto Rico watching their kids shoot arrows into wool fabric targets. So, we really, really got lucky that that bill passed. I want to thank our politicians for putting that stuff in it, good job.

It gets even better. In about 2014, Obama's spending in a budget deal. Congress threw in an approve provision. Listen to this guys, to nullify voter backed marijuana legalization in DC. Doesn't sound like a big deal, but it is because 70% of the people in 2014 voted to legalize marijuana in DC, but because of the provision that said basically, you know, F you to the people. I don't care how many people vote. They got to override it. Think about that. So, it didn't get approved even though 70% of the people voted. Talk about living in a democratic country.

This has eventually changed in 2016. DC approved realization of marijuana. Gets better. Located on page 1,599 of the 1,603-page document, again this is 2014 Obama spending in budget deal, Congress is not going to provision that allowed individuals to give more than $300,000 directly to their political party. So, raising the amount substantially and couples could funnel up to $1.2 million to a party's various accounts. So that they could donate, even though it's the same member, their different account, almost doing it in a shady manner. So, they significantly raised contributions, which nobody really knew about, and by nobody I mean the average working American, and here you have Mitch McConnell, minority leader at the time, Harry Reid, senate majority leader, could have vetoed this, but of course, they didn't since it means more cash into their pockets.

But serious guys, the nonsense going on in Congress, other countries are laughing at us. The Russia thing, it has to stop. Enough. I mean, Democrats, you lost. Get over it. I know I'd get a ton of emails. Shoot them over, I don't care, frankcurzioresearch.com. But you lost. Get over it. I mean, come on. You can't put on MSNBC and CNN without Russia and Trump, it's just a whole show.

You can't even watch it anymore. I mean, you're really making the case for Trump the get impeached based on his son, meeting someone to get dirt on Hillary. I mean, isn't that what politics is all about, vetting and getting dirt on your opponent. Do you expect Trump Junior not to take that beating? Isn't this exactly what Hillary did, which we saw in her emails, right? When they got released, to Bernie Sanders, who was a democrat, ran against. And you know what? Bernie Sanders responded, which I thought was pretty cool. He was like, "If my email got leaked you would have seen pretty much the same stuff or a lot of mean things of me talking about Hillary. It's normal. This is normal." You've got to dig up dirt on your ... That's what politics is all about. It's cutthroat.

In the meantime, we're sitting on a healthcare bill that's destroying middle America since it's paying the healthcare cost of 40 million Americans who are not working in this country that it's almost impossibly not to find a job in right now. We have our infrastructure completely falling apart. 65,000 bridges are in need of repair. I'm not even talking about highways and everything else. I think about our aging water system where pipes over 40 years old need to be replaced. We can't get this passed. Which would be great for our country in terms of safety. Also, great for the economy, would add jobs, many stocks within the infrastructure sector would get billions. Billions of dollars in new business, right? It would be fantastic for them. We have a tax structure, we're 2 trillion to ... our companies are keeping over 2 trillion dollars in cash overseas, because our tax structure is so messed up. And the funny thing is both parties want this money to come back to the US at a lower rate. But this will never pass because democrats are just more concerned with trashing Trump, making sure his agenda never ever passes. It's ironic since this cash, I mean not only is it going to bring money to their own pockets in terms of cash revenue. Why wouldn't it pass? Why is ... I don't know.

Just hey, no matter what happens on the other side, we cannot pass, so we have to go against it. We don't even care if it's good. Basically you're going to bring that money back allowing companies to spend more money to grow their businesses. Which is great for jobs and our economy. You look at the banking system. I mean banks can't lend to qualified people right now. I had to pay cash to buy my home, it's a second home. They gave me a ton of trouble. It's in Florida, it's an inexpensive house, but I had enough cash to buy it several times over. They didn't care, they didn't even care. Well, look at algorithms, says, "No, we can't do it." How's that possible. I mean it also filters down to small business lending. But there's so many ways to improve Dodd Frank without a complete

overhaul, where we don't let the banks act like idiots again, taking on tons of risk with other people's money. But we could also allow them to lend money to qualified people and businesses, doesn't that make sense?

But man, this country could be so amazing if Congress worked together. But you know what? It's never going to happen. And even worse, it's becoming a culture. And it's just pure hate by opposition party. Where no matter what ... Trump could say, "You know what? I love Obamacare, it's great, and I'm not changing it." And the Democrats would find a way to spin that into, somehow into a negative. And I say a cultural change because what do you think will happen if the Democrats win the election in 2020? Do you really think after all this nonsense a Democratic opposition would ... Trump, no matter what he does, not going to get his agenda passed. And by the way, Republicans did the same thing to Obama when he was President. Very tough, all over, trying to get things passed. Again, it's becoming a culture.

Whoever is a Democrat is elected President next, do you really think they're going to publish it and do everything they can to work to get their agenda passed? They're going to trash everything they do without even looking at it. Without even looking at it. I mean ever nominee that Trump had, it didn't even matter. I remember Nancy Pelosi had a ... As soon as Trump announced, and I forgot who it was, but he announced, it was one of his best nominees. This guy was so qualified. All right, I'm not saying that about everyone of his, everyone that he hired to cabinet. But it was, even Democrats like this. And Nancy Pelosi had to meet, I don't know, she was doing this town hall thing and she just started trashing the guy completely. She had a list of people he was going to choose and whoever ... She had different paragraphs of how she was going to trash each person. Why even say, you know what? That guys' going to be good. That guy's going to be good for our country.

Really, this is the system that we're in? Because it's a slippery slope. Nobody wants to hear it, I know. People are going to email me and get annoyed. I don't care. Because there's a bigger problem here then just person feelings. This is eventually going to crush the markets. We're losing out , competitive advantages. Our tax code is the worst in the world. Our infrastructure is horrible, it needs rebuilding, it's dangerous, people are going to die. I mean healthcare, it's going to destroy us. And when I have to pay $2,200 a month for my family and still have $1,000 deductible paying $20 co-pays for subscriptions, and $30 just so see a doctor. I mean

I have no idea how most middle class could continue to afford it. They can't. It's going high, it's rising more then wages. You're looking at prices, it's not going to stop. It's supposed to surge this year and again in 2018. Anyway. Our Politicians, and I don't care who you support. I mean these guys have become just a complete bunch of selfish idiots who have zero interest what's doing right for us and doing what's right for the country. It's all about them, it's all about party. I mean they really lost their way here, and it's sad because this gridlock on everything, I'm telling you, it's going to eventually crush this country. Rant over, that's it. Fell free to send me emails.

I have a great interview with a first time guest. It's a good transition there. Who is an awesome guy I've known for a very long time, especially worked with him at Days, when I was at the Street. His name is Chris Versace. Chris is CIO and co founder of Tematica Research. He writes for Forbes, Business Inside, The Street, he's everywhere, he has a really cool Podcast called Cocktail Investing. If you don't know Chris, he's a complete market junky, just like me. He covers everything from the economy, international markets, individual stops, cor sal sectors, which is going to make this interview pretty cool. Because Chris is going to tell you why investors should be nervous about owning some high flying slots right now. He's going to break down Amazon and how it may be time to take profits in Amazon. I know, it's insane, right? It's crazy. Amazon's conquering every inch, what? Every industry in the world, right? At the same time. It's amazing. I don't know anyone who doesn't like Amazon, which is the greatest company on Earth, but he brings up some really good points. I love it. I love the contrary view. He's going to break down the retail industry, highlight some really cool stocks to buy. And he's also going to share some new stock ideas, including a couple of a small kept under the radar place.

Chris is awesome, it's going to be a really great interview, and that's coming up in a second in my educational segment. I'm going to share a few things with you, and that is, things that are going to help you avoid buying value traps, or companies that look really cheap, but really aren't. So it's going to be a cool segment because I get a ton of emails, Frank how do you find your stocks? And when you find them how do you know you're not buying a value trap? I'm going to have a really detailed conversation about this, and it's going to be really cool. I'm probably going to get a lot of emails about it, but you'll see my research process. And it's going to be fun, because I'm pulling it out from one specific industry, and how I'm able to find ideas just from reading one simple story in the Wall

Street Journal. Before I get to the educational segment, let's get to my interview with Chris Versace. You guys keep in mind Chris is a busy guy, actually filling in for Doug Cass Tuesday and Wednesday writing a daily blog. We taped this interview actually on Monday, so just keep that in mind. You know what? Here's that interview right now.

Chris Versace, thanks so much for joining me on the Podcast.

Chris Versace: Thanks for having me Frank Curzio. First time for everything.

Frank Curzio: I know right. You know, we've been in the same circles for such a long time and I don't think ... We've only met a couple of times, but it's funny because we met on the New York Stock Exchange and we started talking and we probably know so many of the same people. And you also work at The Street. I have pretty cool stuff to actually finally get you on the Podcast now.

Chris Versace: I really appreciate that. Yeah, you're right. I mean we are the classic ships in the night, and it's, I think you're right. We know a lot of people, but it took Frank Holmes of all people to bring us together.

Frank Curzio: I know, right? I never would have guessed that. And when I look, and again, I always do a ton of research on everyone before I interview them. So you're CIO and Co founder of Tematica Research. You're an Assistant Professor. You're a co-author. Author of Cocktail Investing, right? It's a book, you have an awesome Podcast, Cocktail Investing Podcast. You are the co-portfolio manager for the Trifecta Portfolio of The Street. I think you're also the editor of the growth and income report as well at The Street?

Chris Versace: Yeah, well the Growth and Income report is a past life. At The Street, you're right. There's Trifecta stocks and I also help out with stocks under ten. And from time to time, they tap me for some other stuff. We're taping this today, but tomorrow on the 18th, I believe it is, I'll be sitting on for Doug Cass on the Daily Diary, which is something I really like.

Frank Curzio: The Daily, then your contributor to Business Insider, your contributor of Forbes, your contributor obviously to The Street. Com

Chris Versace: Yep.

Frank Curzio: Are there more than one Chris Versace's here or is it just that I love what I do since all of this may not be considered work to you, but-

Chris Versace: Frank you're doing something that whenever I get introduced I always kind of joke that man, I hear that and I feel tired.

Frank Curzio: It's a lot of work, I know. I mean yeah, I'm running news letters, running my own company, and going crazy, and stuff like that, and doing appearances. But man, I mean you, you're everywhere here, which is cool. Obviously you love what you do, right? You've been in this business for over 20 years. Chris, I like having you on because you're a guest we can go anywhere with. You come with so many sectors, you come with so many stocks, so many areas of the market, and let's start with the overall markets, because you've been writing about, which I saw on Forbes and The Street. How stocks are dangerously overvalued. Are you expecting a sharp sell off, maybe just rotating into cheap sectors here. Maybe buying gold. I mean, explain your thesis on this and what you're telling, people who follow you do to?

Chris Versace: Sure. Sure. Let me caveat that by saying two things. One is you know, whether it's at Tematic or some of the other stuff I do at The Street, we don't buy the market, but we obviously have to be cognitive of what is happening with the market. The second things is, you said sectors, and I'm not a big believer in sectors. In fact, at Tematic, we believe sector investing is dead. We look at the world much more through a thematic lens that really sifts through the shifting landscapes of economics, demographics, psychographics, check, and stuff like that. But I'm sure we'll talk about that later. But when you talk about the market, I mean the market has had a very, very strong run. You know, year to date, what really in the first several months of the year, as it was really feeling the benefit of what we could term the Trump bump, along with everybody else. And the problem, it really started to emerge first quarter, GDP was a little weaker then expected. Expectations coming in to the second quarter were still rather high. I think the Atlanta Fed early on in the quarter had GDP for 2Q, 4.3%, and some others were that high as well. I think the consensus at the Wall Street Journal Economic Survey is still around 3% something like that.

And as we got the data coming in whether it's the ISM's, numbers, data from market in the PMI, retail sales numbers, just like the ones we got last week, and others, we've seen a continued tic down in GDP expectations, both at the Atlanta Fed and to some extent the New York Fed, which I think is hovering around 1.9%, 1.8% for the current quarter, and a tad lower for third quarter. That's the first thing that we've been talking about and we're seeing the data back it up that the economy is slowing. Last week in her congregational testimony, Janet Yelling kind of got around

to the fact that yeah, the economy is moderating a little bit. No surprise to us. So that's the first thing.

The second thing is that Trump bump has become the Trump slump as the administration has gotten bogged down in name the issue of the week. But all what we've seen is continued push out in repealing and reforming healthcare on tax reform, and on infrastructure. And that's increasingly looking like it's later in the back half of this year, maybe potentially the first quarter of 2018. So that's the second thing.

The third thing is when we look at the second half of the year from an earnings' perspective, the SFP 500, so the market now. Expectations are up 11% in the second half of the year versus the first half. Now, here's the thing Frank. Over the last several years, the second half to first half comparison is about 5.6%. We're not, we're just you know, almost double that. And then you factor in one of the things I was talking about before. To me it says there's more possible downside risk and when I say downside risk, I don't mean oh, we're going to hell in a hand basket, 10%, lookout. I mean expectations are going to be reset. So that second half of the year growth is probably going to come down. And I think when we get into earning season, we've got 280 companies this week, 600 the week after, something like 1,200 for the first week in August. We're going to start to see those expectations' ratchet back. I think that's going to be the catalyst of the market. Come back a little bit and for me as an investor, I'm actually excited by that, because it means some of the froth is out of the market. We can buy quality companies with Thematic tail winds at better prices.

Frank Curzio: You bring up lot of good point there Chris, where you're looking at a market pull back. And it just seems like every pull back is met with a buying opportunity. Like there's so many people that you talk to at, that email you, regular folks, individual investors that follow your work. When you look at sentiment out there, for me it seems like people are cautious, and also they're waiting for that pull back to get in. You know it's going to happen, the markets going to pull back and you'll be too nervous to get in, right? That always happens. But it's just going to be a classic, hey buy on a pull back type of thing? I mean is going to be ... And we're always trying to predict the future here, and its difficult, but it seems like if we have slower growth and those expectations of earnings come down. I mean could they come down to a level where hey, maybe this isn't just your regular pull back at a buying opportunity, or maybe these things really need to be reset even more to get going into the fourth quarter.

Chris Versace: It is a great question. And it's one that's worth talking about because as you know Frank we are rather long on the tooth with this expansion that we've been enjoying. And it's one of those things too, as we get into September, remember the fed is going to start to unwind its balance sheet. And that's never been done either before or to quite the scale that we have. That's going to be another tap on the breaks for the economy. It's one of those things, I think as we go through, we're going to get some more data, we're going to see what July looks like, what August looks like, we're going to see what earnings get reset, and then I think we're going to try and puzzle those pieces together. You're right, it is something that I think we've got to be wary of. And what bothers me a little bit, is if you look at CNN's fear and greed index and some of these others, investors are still greedy. And that's kind of a classic sign that things to your point may not turn out to be so great as individual investor tends to be getting late to the party. Except for ones of course, Frank who read your stuff.

Frank Curzio: Yeah, I know. Well we're going to end it here right there.

Chris Versace: Go out on a high note, right?

Frank Curzio: I'll talk to you later Chris. No let's get to some of the things that I know you like writing about. And one of those are, one of them because I really loved actually, is, and I think you wrote about this in Forbes, how you keep a close eye on Washington since changes could be disruptive to several sectors in business. Of course, we're all looking at Healthcare, Tax reform, infrastructure, but you point out something that I haven't seen too many people talk about. And it's the possible new rules coming out on taxes on advertising, which is going to affect a lot of the fang stocks and stuff. And your article was great, explain that a little bit, because I don't know if they have too many people who understand that.

Chris Versace: Yeah, you're going to force me to dig back to what I was talking about Frank. Look the bottom line on it though is any, you have to watch Washington because they can either be a tail wind or a head wind to businesses as they change the playing field. And that's really what we're getting at here. And to the extent that we see the playing field change you have to reset your expectations. Now what do we know has been happening, you mentioned the fang stocks, but really with Alphabet, Facebook, not so much Twitter, Snap, I have some issues with Twitter, and Snap in particular. But Facebook, Alphabet, potentially Amazon. They are all targeting advertising dollars. That's Facebook's prime revenue stream, that's one of the key revenue streams that Alphabet, better known as Google. So any disruption to that is going to cause people to reset,

or at least rethink your expectations. Now the downside with Washington is it moves extremely slow. I mean we're seeing that on some of the other matters we talked about earlier. And what we will have to wait and see what happens, but this is more of a flag that's out there.

And I do that from time to time, because in my experience everybody always like to have confirming data points. They like to be very bullish on what they're doing. And that tends to lead to not paying attention to what could go wrong, right? And what I like to try and do is understand what those potential landmines are, so if I'm seeing flashing lights coming up behind me kind of like a cop car, I can be aware of uh-oh something is starting to happen, or it's not. Let me give you another example. I was talking with one of my colleagues today, and we were just talking about Amazon and how it appears that company can do almost no wrong lately. And sit back and I think, they're doing this thing with whole foods. They are going after the apparel marking. They're inking deals with companies like Nike to really leverage their logistics as those companies try to go more and more DTC or direct to consumer. And they have other things that are going on. And they're expanding internationally. And they're bringing more content on. And I just sit back and I go, the one thing that tends to disrupt the market when it comes to Amazon is the level of investment that they continue to do.

And they invest, and I like them because they are preparing for the future. They're not necessarily expense minded if you catch my drift between the two. And expense versus invest. And it's something like that where the once concern I have with Amazon going into earnings is going to be is their level of investment going to take Wall street by surprise, forcing Wall Street to cut, or trim back some EPI and EPS expectations. That's who I try to think of about this.

Frank Curzio: You bring up a lot of good points. And I wanted to talk to you more about Amazon, because when I see Amazon, and again, I've been doing this for over 20 years as well just like you. I've never seen optimism so high where it scares me. Right?

Chris Versace: Yeah.

Frank Curzio: We just had a price talk today come out $1,300 price target. For Amazon to take over whole foods, and destroy the market caps of the biggest companies in the world like Wal Mart, Target, Costco, I mean maybe $15, $20 billion, maybe even more than that. More

like $30 or $40 have come off the market. You see Blue Apron get destroyed. I mean nothing has happened yet. It feels like Trump getting elected and all of a sudden, like you said, it was the Trump trade and now all of ... You look at tax reforms, you look at infrastructure, you look at healthcare, none of it's gotten done yet. And none of it's even close to getting done. Not even healthcare.

Chris Versace: No.

Frank Curzio: I mean when I look at Amazon here, where you can't find a soul on the planet that doesn't love them, does that tell you hey, and the fact that everyone believes that they can just take over any company in any sector and just destroy the entire industry, without even being a big box retailer type thing. Which is going to be needed to deliver a lot of stuff, whether it's food or whatever. I mean does that make you nervous on this? I don't know anyone who's talking negative about it. I feel like if I do, I'll probably get shot right now.

Chris Versace: I'm not talking negative about it Frank. What I'm saying is that I think that, yeah, expectations are running a little bit ahead. Kind of like what I talked about for the second half of the year with the SMP 500 and EPS. You have to try and monitor the best you can the psychology of these things, and that means enthusiasm levels. Because as we've seen increasingly in this market, a company misses by a penny on earnings. They guide a penny below. You can see a stock down, it used to be you'll remember this. It could be a couple percentage point, nothing big. But today, that could be from 10% to 20% down. That's what gets me not nervous, but again, I'm trying to identify those things that could present an opportunity to scale in because if we see something like that maybe it's Amazon, maybe it's another company. That could be a buying opportunity as we go into the back half of the year when we've got the benefit of back to school spending, Halloween spending, year end holiday spending. And there's no doubt, from a fundamental and thematic perspective that Amazon is going to be a force to be reckoned with. From our perspective it's content is King, connected society, they're moving into private label, wine, guilty pleasure. You can pay with Amazon.

So from us, that touches our cashless consumption theme. We know people are trying to save money and shift more spending online where you can get better deals. So that's the cash strap consumer. I think Amazon, from a thematic perspective, I think it's the one company that has the most number of investment themes pushing on it's business. And it's like six if not seven of our 17 themes. I mean it is a monster, but I also agree with you

that to some extent, this is shoot first, ask questions later on the competition. And the one that boggles my mind really is Costco, because if you break own Costco's operating profit, yes there is the domestic sales side. I was just there the other day, and it's going gang busters. They're expanding internationally as well. But the key to their operating income is watching the number of warehouse stores that they continue to open because that drives memberships, and that membership fee income is extremely profitable for the company.

So from my perspective Costco is catering to the cash strap consumer. There is some high end in there consumer as well, but really cash strap consumer. They're continuing to expand, they're driving membership fees, they just bumped up their membership fee, which will flow to the bottom line, and I think they're getting a little smarter on online shopping, or digital shopping as we call it. And I'm going to give a thought to them Frank, will you let me share a piece of advice for Costco?

Frank Curzio: Sure.

Chris Versace: There's a great company online called Box. Com It's like if you took Amazon and you smashed it with Costco. So it's like online buying in bulk. And I use it, paper products, that kind of thing. And they're great, they're absolutely great. My recommendation for Costco would be to go buy Boxed. Com

Frank Curzio: And you touch on a really good point with Costco and Amazon. And that is interesting too, I'm going to take a look at that company. Let's get into more details too on maybe the department stores, because we always hear well the department stores are dead now. Is this just a sick little thing, because they're not dead of course, they have too much square footage. It's almost like the rental car industry where people are like it's dead. It's not dead to the point where it's not going to exist anymore. You're still going to need a rental car when you get off. There's not going to be a billion Uber's every place. It's not a dead industry, it's a declining industry.

Chris Versace: It's transforming.

Frank Curzio: Exactly. And is this more syprocal for say, the department stores Macy's, Kohls', Nordstrom's, JC Penney, which are already taking beatings. They see the problems ahead of them, they're starting to restructure, a lot of them are crushed. These companies are still generating earnings. And you brought up that point where Amazon, it's not so much where hey, Amazon is going higher instead of buying Amazon, maybe that's not the right play, but the

competitors that are getting crushed right now, I just want to get your thoughts on the department stores, which is something that I know you've talked about in the past?

Chris Versace: Yeah, it's a great point to separate the different types of retail. You've got branded apparel and shoes companies for example. Nike would be a great example of that, versus say Macy's, JC Penney's, Kohl's, and some others. And for me, it's where people are buying. They're not necessarily shopping in department stores anymore. I read a report a couple days ago that talked about the last time respondents were in the mall. And it was more then a month ago. The same question turned around and asked, when was the last time you bought on Amazon? And they were like today, or the last couple days. And I think there's that shift and the issue that department stores have is that they're selling other branded apparel for the most part, right? That's really the hook. And now we're seeing branded apparel not only get smarter for direct to consumer. Again, we've heard Nike talk about it, Underarmour talk about it, and others. But they're starting to partner potentially again, with Nike starting it with Amazon. We've heard the Gap a year ago I think you remember saying. Given the problems they were having that hey, we should do everything we can to hit the consumer, maybe that means partnering with Amazon. I would not be surprised to see more retailers look to leverage Amazon's logistics.

The issue becomes, Department Stores in particular, what is your competitive advantage? What brands are you having? Well I can buy them elsewhere. I can't buy them not only on Amazon, but if I wanted to buy Nike sneakers, I can buy them on Footlocker. Com and have them shipped to me there. That's a very competitive arena and where I see the department stores getting hurt is what's their weapon of choice price? And price, as you know, when you get competitive on price that's going to hit you right in the margin. So to me, it's kind of a one, two if you will. Falling traffic, using price to remain competitive, and the wind up a lot of margin in EPS pressure.

Frank Curzio: Yeah but do people really buy clothes online? I mean I'm kind of a wide guy. So extra large, extra large is different, and for example I don't know. If you're a pretty big guy out there-

Chris Versace: Here's my take on that.

Frank Curzio: Yeah.

Chris Versace: Let's talk foot wear, right? Because shoes, I cannot get my foot

in a Nike shoe to save my life. I would love to, but I am cursed with wide feet. It's Asics, New Balance, and some others for me. And what I would do, is here's a couple styles and I'll order from Zappos, right? Free shipping return. I'll order three, keep the one I want, return the other two. And I think that's what we're seeing. The other thing too candidly is I, this might get a little personal Frank, I apologize. Denim is extremely tough, right? Because a 33, 34, whatever the numbers are you know, you go from Levi too Lucky to Seven, to whoever, they're all cut different, and let's not even talk about vanity sizing, right? What I do is one I find a style in a size that I like, I'm comfortable with, then I will start to shift online for shopping. Because you know what? I don't have time. You remember my intro on all those things I do.

Frank Curzio: Yeah. I don't have all the time.

Chris Versace: I don't have time to go to the mall, so I have to do this.

Frank Curzio: That makes sense. Once again, we're talking to Chris Versace, CIO and co founder of Tematica Research, cohost of the Cocktail Investing Podcast. And lets switch it here, because I want to hear a little bit more. You know what? I've been doing this for over ten years, I love guys when they have Podcasts, and talk a little bit about Cocktail Investing.

Chris Versace: Well, I'll tell you. I'm a fan first and foremost of Podcasts. And I will tell you that I get hooked on it, I can't even tell you how many years ago when I was listening to Mark Marin with his WTF Podcast, and I immediately fell in love with it, because it was a long form interview. And I have always, I would say never been a fan of those short interviews, three quick questions, because you really learn nothing. And I like to go in and have a long conversation, right? And pull nuggets out. I'm talking with Tematica's Chief Macros Strategist Lenore Hawkins who is fantastic, or if we happen to have a guest on, and we're talking about whether it's want to cry, pet ya, US concrete and talking about what they're seeing in terms of infrastructure demand, those sorts of things. And what I've learned is if you keep an open mind, and you ask the right questions it is simply staggering the amount of information that you can get. And I really learned that back when I was a cell side analyst, and we would do non deal road shows. And you would travel with a management team all day long, going to meetings, lunches, breakfast, whatever, and you're sitting there kind of being the good steward.

But as you pay attention, and other people ask questions, you ask questions, it is amazing the wealth of information that you get and

then you can turn it around, and use it elsewhere. That's one of the reasons why I really enjoy Podcasting and doing the cocktail investing Podcast, and cocktail investing the Podcast is named after investing the book. Full title Cocktail Investing, distilling everyday noise into clear investing signals. And that's, you listen to the Podcast every week, I have to come up with some new twist on how to get that out in the intro. Just like I'm sure you do.

Frank Curzio: Absolutely, absolutely. Now welcome to the Podcast. That's awesome that you're doing it, and it's really cool and I listen to it guys, take a listen, Cocktail Investing Podcast now. A couple more questions here. You recently said, and again we'll take to this Monday, guys just to let you know, we publish on Wednesday Chris, but you're subbing for Doug Cass, right?

Chris Versace: Yeah.

Frank Curzio: Writing his diary, I don't know if it's a day or two this week. I was wondering, I was thinking about that, you tell me on the New York Stock Exchange too, and this was a couple weeks ago. I was wondering if that's kind of easy to do since all you have to do is say, "Hey, the market's going lower every day. I don't like Trump. Investors need to be cautious." I mean it's kind of easy to write his blog isn't it?

Chris Versace: Yeah. Well you know, it's, if it was mine I probably wouldn't be as diligent. And I say that because it's not mine and I'm sitting in guesting for somebody else. It's kind of like being tapped and they're saying hey, we need you to take the reins today, let's see what you can do kid. And it's, so for me it's probably more adrenaline filled then most of my regular days because I sit, I'm already starting to think about what I'm going to talk about early tomorrow morning. We do have earnings tonight, we have Netflix, and some others. What's it going to start the day off as. Who's going to get upgraded, downgraded, blah, blah, blah. And the first couple hours are really like a barnberger. And then it kind of settles around, and then tomorrow afternoon I'll have to get people ready for the close and what's coming after the close, which is going to be more earnings. So it's, you know, I like it in some respects, I wish I could have my own diary there. But it, make no mistake and my hat is off to Doug Cass on this, because it is a full days work just doing that. And if you've got other things to do, it can be tough.

Frank Curzio: Yeah, it could be tough, and guys just to let you know I've interviewed Doug Cass, work closely with him. He was actually

the resident, I think Buff has a residential bear that speaks at his conference every year. But he spoke, he used his bear on Berkshire, and this is at his annual meeting at Omaha, so Buffet actually picks that person, he picked Doug Cass. I think it was either two or three years ago.

Chris Versace: That's right.

Frank Curzio: Yeah. I mean I like Doug a lot, plus he always followed my late dad and was a big fan. He's old school. Of course, we don't always agree on everything what he says, but I have a lot of respect for him, he's a great guy. That's why I'm poking fun at him.

Chris Versace: That's why they call them opinions Frank.

Frank Curzio: Yeah, and he's a great guy too. Okay, a couple more questions here because you are editor of several newsletters. I'm not too sure if you said you're still The Street's growth and dividend reporter or not, or just a little bit. Because I was curious to see dividend stocks in general even if you're not, I don't know your situation with that particular newsletter, but how difficult is it to find dividend paying stocks, because we know that hey, everyone in the world is searching for you, we still have historically low rates, yes, we're raising them, but they're still low. But if you look at the dividend stock, especially say, consumer staples, which are supposed to be the safe play. They're more expensive today than they've been almost in history based on historical PE. Is it difficult to find ideas that pay a good yield that say, that aren't too expensive, because it seems like these once hey cool, even utilities. How expensive are utilities like Con Ed and stuff. They used to be hey, buy these say small returns, nice dividend, now they're very expensive, where people could really get the head handed to them if they pick the wrong stock.

Chris Versace: Yeah, I absolutely agree, so we come at it a little differently. And at Tematica research where our core product is Tematica Investing, which was the old growth and dividend report. So again, renamed Tematica Investing. Our first screen, although I hate that word, is looking at companies through our thematic lens. And if we don't find a company that is riding the wave, riding the tail wind of that, one of our thematics, it just kind of goes to the wayside. Unless, we see it bumping up against some tremendous headwinds. Then for our trading product, Tematica options, plus we might contemplate a short position, and we've done that with Simon Property Group, given our concerns about the malls, we've also went negative on General Motors a little while back, just as they to industry data just continues to plummet. GE's got high inventories, and so they're

continuing to move higher. And we were in there before GM actually cut your 2017 outlook for industry shipments.

But back to dividens. We really need to identify that tailwind first. And when we find them, some companies riding wave or growth like we were talking about with Amazon, other ones are companies that are more, what's the word I'm looking for? Yes, one of my favorite sayings. Dividend dynamos. And these are compniaes that increase their dividend year in, year out it seems like clockwork. Two of my favorite companies that do this, one is McCormick's and Company, MKC. The other is international flavors and fragrances. And I like them no only because they're dividend dynamos, but because they have demonstrate tail winds, two of them in fact pushing on their businesses. One is what we call food with integrity, which is the shift towards healthier food, of food that is good for you. If you read over Pepsi Co's earnings call, they're seeing a lot more healthier beverages, healthier snacks, they're also trying to reformulate to remove in some cases fat, and some cases from their drinks sugar. And they need to do that without sacrificing taste. You're an old man like me Frank, so you remember what happened when Coke became new Coke, and people freaked out. They don't want to go through that. They need to maintain taste and flavor while improving the position of sugar in their product. And that is great for international flavors and fragrances.

We're also seeing rising disposable income outside the US, particularly in the emerging markets. We're seeing those folks trade up, to only the protein complex, but also other healthier organic foods as well. A number of tail winds for those businesses. So I don't necessarily look at the Tematica select list and go, you know we're little light on dividend payers here. It's always thematics first, and then what companies are best positioned for that thematic, and sometimes it cuts across industries. Like I said earlier, sector investing to us is dead. We look for the best opportunity, the best thematic, whether it's growth, dividend, or maybe even gar bleep position stock.

Frank Curzio: Well let's, because you mentioned earlier too stocks under ten, I got flashbacks.

Chris Versace: Yep.

Frank Curzio: I used to be editor of that.

Chris Versace: I didn't realize when we spoke that you were, I have you to blame for this.

Frank Curzio: Yes, it's all my fault. I think it was like a three to four year period that-

Chris Versace: Good for you man.

Frank Curzio: I was with The Street.

Chris Versace: That is a ... It's interesting. Let me just explain what stocks under ten is. And maybe it's the same, maybe it's not. Stocks under ten is looking for stocks between a conceivable a $1 and $9 stock price. You got to have, it can be any market cap. And you have to have average daily trading volume around 100,000 shares. You can really go almost anywhere with it. But generally speaking though, when you get into the $2, to $3, $4, $5 range stocks, they can be very volatile.

Frank Curzio: Just a little bit.

Chris Versace: Seriously, I can't even explain, because like you said not only do you have restrictions because it's stocks under ten, right? But then you have restrictions on how big the market has to be. It really limits your pool. And I'm telling you if you're an arrogant person, and you're picking stocks, be the editor of this news letter because you'll get humbled very, very quickly.

Frank Curzio: Yeah, yeah. And you're very ritzy.

Chris Versace: like you said, it can. And in some respects, you would argue that if people are buying $1, $2, $3 stocks it's very similar to an option trader mentality.

Frank Curzio: Yeah, it's true. And the limit for stocks under ten because you could have a stock that's trading at $40 and have a $300 million market cap.

Chris Versace: Yes.

Frank Curzio: And you could have a stock that's $3 and trading at the same market cap. You know, it just limits you to where you wish you could have more of the small cap market to choose from, but it is extremely volatile. It's a newsletter set up to hit home runs. Some people don't realize that and to hit those grand slams basically you have to take on more and more risk.

Chris Versace: Right.

Frank Curzio: So you can have more lose in a portfolio, but it is interesting just to see, explain how stocks go down 15%, 20% sometimes on no

news. It's not fun to explain it. But that's a really tough newsletter to manage. But it also helped me on the research end as well, because you really have to get the numbers right. Sometimes you're first to the party, lot of these stocks are people looking at your model. I mean it's a lot of fun, and for me it was a big learning experience, which was cool.

Chris Versace: Yeah, it's funny, when I ... When the prior manager left, he gave me some wisdom and insight, which is, when you make a new recommendation it's going to move. But it is also going to come back down. Just stick to the fundamentals, stick to your knitting so to speak. And that's what I try to do. I've been around long enough to know that, I think you said this earlier is the market humbles all. And it's, I try to approach with a almost a bull Durham type attitude. Hey, I'm just happy to be here, happy to be in the game.

Frank Curzio: Is there any, maybe small cap stocks or recommendations, you shared a lot of ideas already, that maybe you could share with the audience? If you can't, I understand. I don't want you to give away.

Chris Versace: No, I mean, there was one, one, two. I'll give you two and a half, how about that?

Frank Curzio: Perfect.

Chris Versace: So, the first one is this company called Amplify snack, ticker symbol BITR. And it's a small cap company, they are in this popcorn industry if you want to call it that. But it's in the vein of a healthier snack. And we look at Amazon and whole foods. We look at Campbell's, buying a organic broth and soup manufacturer, which is kind of funny since it's Campbell's Soup. We just continue to see consumers moving towards these foods, what we call foods with integrity. We're seeing companies kind of position themselves for that. So this company, they continue to expand with new products, on a twist of the popcorn that they have. They are, they made some acquisitions and they're bringing some other products to market and expanding internationally. My bet though is, longer term they will probably be a portfolio take out for some other large food company that needs to just do a strategic nip and tuck, kind of round out what they're doing. Whether it's in a food with integrity slot that they need to filled or for shelf space. That's one that I like and I will tell you we have a $10.50, $11 price target on it, and it has been moving lately. That might be one that you want to revisit more on a pull back.

The other, the second one is a company I've known for a little while USA Technologies, ticker symbol USAT, and I I like them because

when vending machines went from cash to credit cards, they were one of the companies behind that. And they're doing it again with mobile payments. And they tend to get a lot of ... They take Apply Pay, yes, do they take whatever Google's got? Yes, they do. And what we're seeing is not only mobile payments coming to vending machines, but we're increasingly seeing what's call unattended retail. You think back to what Amazon is trying to do with that stand alone grocery store. Where people go in and sensor pick up what they're doing. It's not quite that, but it's in that same vein. So there are no people around, you go to the vending machine, or other kiosk, you purchase, and pay with your phone and off you go.

That to me is riding the tail wind of what we call cashless consumption. And I think we're going to see lot more of that. In fact, they just expanded the relationship with JP Morgan. I think that one is going to set itself up very nice. The Half is this company that I'm starting to look at, it's in the cashless consumption space. And it's tied to one of the countries with probably the best demographics out there, which is India. And it's a company called Money on Mobile. And I haven't done a lot of work yet, but it is one that is going to, on my radar. It is a small, small stock. And I haven't quite pieced the story together yet. Or it's you know, for somebody who's looking for something kind of speculative, that might be something they want to start to take a look at. Again, no recommendation on it yet, I haven't done enough homework to voice a semi coherent opinion on it.

Frank Curzio: Well Chris, I appreciate you sharing all those ideas man. I know the audience loves it because when you come on, you can go anywhere with this. I mean it's unscripted, it's hey, let's just talk, see what's going on. And you know, talk about today's events and what's going on in the future. People really love that, the audience loves its so, I just want to say thanks so much for coming on. Hopefully you'll join us again soon. And if people want to get in touch with you, I mean obviously they can go to your Podcast. But how else can they get in touch if they want more access?

Chris Versace: Yeah, so I mean the best ways, the simplest way is go to Tematica Research T-E-M-A-T-I-C-A Research. Com If you go there, you'll see out free stuff, you'll see our premium products, you can see, you've got some links to the Podcast, which is also on iTunes. You'll also see some great stuff from our Chief Macro Strategies Lenore Hawkins who's my co-host for the Podcast. We co-authored the book together. We've writing I don't know how many articles at The Street and at one point we even co-managed the growth secret

portfolio with The Street. All that is there. If you want to look for me at Twitter, it's @_ChrisVersace, so @_C-H-R-I-S-V, as in Victor, E-R-S-A-C-E.

Frank Curzio: Chris thanks so much for coming on the Podcast bud, and listen, I can't wait to talk to you again. Hopefully you'll come on again very, very soon. Thank man.

Chris Versace: Whenever you want Frank.

Frank Curzio: Sounds great. All right, bud.

Chris Versace: Thanks man.

Frank Curzio: Okay guys, great stuff from Chris. Remember this Podcast is about you, it's not about me. So let me know what you thought at Frank@CurczioResearch.com, that's Frank@CurzioResearch.com. And I loved it. I can see Chris getting into that rotation where I interview him every quarter, since we can go anywhere with these interviews. Like a Horowitz or Steve Kumar, Rich Suttmeier, John Petreties. I really like that guys, I can talk about the current event across all sector and markets and usually goes, it's usually a lot of fun. Again, it's about you, not me. Let me know what you thought about Chris and that interview Frank@CurzioResearch.com.

Now, it's my educational segment. And a lot of questions over the past few months on how I find stocks. How do I get these new ideas? How do I know what price to recommend them at? Maybe look at my crystal ball, maybe it's luck, maybe it's a little bit more than that. When it comes to my ideas, what's really cool about this Podcast is I interview an expert every week. Listen to their ideas just like when I'm interviewing them. Chris had a bunch of ideas. I have a lot of friends at the Hedge Fund Industry and run funds as well and the pass their research onto me. I pass my research on to them. Of course, I'm always looking at the markets every single day, headlines what's going on with every quarter, reading tons of self side reports, blogs, and stories. And it helps me generate a lot of ideas. I'm not talking about reading just a simple story how Boeing was killing it, right. Which is in the Wall Street Journal, and I think Barons wrote about it. I don't read that and say wow, I got buy Boeing. Right, everybody know Boeing's killing it. Its just to me, it's a wasted story. When I look at a story like Boeing, this is how I take it, I take that further step.

What I ask is, what specifically inside Boeing is doing to kill it right now? And if you see that, they're receiving tons of orders specifically for their new Boeing 737 Max Airplane. A lot of their

other planes are doing good, and the business is good, but that is really taking off. So for me, I will look at who makes the parts for this specifci plane. Since believe it or not, there's over two million parts that go into these planes. I know because I visited the Boeing plant over at Washington. This is not too long ago. Six months ago. Where they operate in the biggest building in the world, it's 472 million cubic square feet of total volume. You should check out how big that is online. I mean it has over two miles of tunnels, 30,000 employees work specifically at that facility, six cafeterias, a fire department, it's an amazing site. Getting back to making money on this stock here. I can keep going on and on about that building, which is pretty cool. But I will look at who the biggest suppliers to that max plane. Also, what's the competing plan,e right? Because we all know there's two manjor companies that manufacture planes. It's Airbus and Boeing.

And whatever Boeing comes out with Airbus comes out with, whatever Airbus comes out with, Boeing comes out with. Especially if something's working, right? They always have that time frame. It happened to be the Airbus 737, it's call the A320 Neo, that plane is also seeing enormous demand. So for me, what companies make the parts that go into both of these planes? Since the backlog of orders guys, is insane. Boeing has an incredible backlog of 3,600 orders for it's Max plane. Airbus 5,500 orders for it's Neo. What does that mean? Its about seven to ten years, before ... If you order a plane, if you order these planes today, if you're an airline, if your Delta whatever, Spirit, whoever you are. You say, hey, I like this plane I want it. They're like cool, book it, awesome, come back in seven years. That's how long it takes for the assembly line. Seven to ten years beofore they're actually built. You're looking at a lot of, lot of demand. Whre this money is not really, maybe Boeing, you know how they book and they account for it again, over a certain period it's diffenret. But the part makers, and they're going to see this business for a long time.

Boeing is going to start ordering more and more parts as the years go. So it's not like wow, we just signed a Max Plane and one of the suppliers is like cool, we can book that revenue. No, it takes time. So it's not, it could be on the books at Boeing, but it's not on the books at some of their suppliers. The companies that make the parts for these planes, I will look at how much revenue is generated specifically from the aerospace industry because that's on fire right now. And if it's less than 10% then you know I'll move on, it's not maybe the best play on this specific trend. But maybe it's 40%, 50% exposure, and that's what I want to see, because this trend is going to be very, very strong for at least another five

to seven years at least. I mean it's on fire right now. Also, once this bullish trend starts to reverse, something to look at if these guys are receiving 50% of their revenue just from these planes, or from the aerospace industry I may look to short these companies, because they're going to get crushed. And we see that in a lot of different industries.

You're looking at which companies have the most exposure to these two planes. And once I have this list of say, 30 to 40 companies because there's hundreds of them that make two semi conductors carbon fibers, which helps the airline save the cost of fuel, building the cock pits, the wings electrical systems, I mean you had no idea what, if you see this thing and how the assembly line of planes works, and how each ... They have like different spaces around the planes that are numbered, and each one of them have their own parts. Each company has their own parts that they ship. It's unbelieveable to see how this thing runs. It's really crazy. But I would, after that if I were the companies, I would did dwon to the fundamentals. What's the historical P ratio on these companies, ebcause they should be right now trading at it's all time high. It should be, you look at this stock and you'll say it's trading at 20, 25 times it's earning, because the banister, the roof, it desrves that premium because they're growing so fast. Maybe you see something that's not trading at it's historical PE even though they're seeing this demand. You know what this company has a lot more upside. And people look at a stock with a 25 PE and run away right away. But you have to look at the growth.

They're growing sales and earnings by 25%, 30%, the stock is actually cheap at that level. That's why people, you look at PE's, you never own Facebook, if you only looked at a PE ratio. You never own Tesla, because they don't even have a PE ratio. They're making money. At least last quarter they were making money. But there's so many companies. Amazon, would you really buy Amazon early in it's growth trend. You don't look at a PE once, you have look at how fast the company's grwoing and look at it's PE's as well. I want to look at their balance sheet, because it's strong. Will they have to raise cash, right, which is important, because they may have to do a secondary. They want to raise enough cash to say, hey we need to build more inventory to fill this dmeand. And when they do, they're going to do it at a lower price. I may be able to get that stock cheaper.

Look at which companies maybe missed last quarters estimates for some reason. Why ddi they miss? Was it just a delay or something. I mean this business is eventually going to come back.

Maybe the business is back half loaded. So it's not a question of seeing a slow down demand, it's just a matter of I'm not seeing the demand we told you on our guidance. We're going to see most of it on the second half of the year which gives you a good opportunity to buy the stock on a pull back. I mean see if insiders are using that pull back to buy shares which is cool, right? The insiders know more about the company then anyone. They're buying is, it's usually a buy signal. So you look at these things and you say hey, on that pull back, maybe I want to invest a little inside the insiders and buy these stocks. But just from reading one story, and this is just one industry guys. Which would be one news letter issue for me. I'm talking about the entire industry. My travels to the Everest facility in Washington, which you'll see pictures too. When I talked to the head of North American Sales who's probably the most important person I want to talk to in terms of seeing if this bullish trend in aerospace is going to continue over the next few years.

Plus I feel bad for the guy because I asked him a hundred, I was like a kid in a candy store. Just asking him questions. What's this, what's that? I felt like I was this needy kid. But it was great. He loved it and I apologized for asking so many questions. I was just fascinated. I was writing everything down on my phone. It was so cool. I want to see if this bullish cycle continues. And again, I got to realize too being experienced in this industry that he's going to have a bias, he works for the company. He's not going to say you know what? Sales are really slow, and we suck right now. No. Executive teams never ever say that about their companies. That's my job to be the middle man to tell you that. To see if the guy is full of you know what. So I would recommend maybe one or two stocks that I like, ebcause the best players on the trend. Break down the fundamentals, most important the catalysts in the newsletter, why is the stock going to go higher? But keep in mind guys, because you always hear the talking heads in the media.

I mean they're usually bullish on stock trading your all time highs. And barish on the ones trading at 52 week lows, right? Since most of these guys are traders it makes sense. But if you ever hear a person on TV say these two things, you should immediately, immediately, immediately short the stock. If they're telling you to buy stock for these two reason, here they go. The first one I mentioned a while ago. Sum of parts. The next one is population growth. If someone says you should buy a stock based on it's sum of parts, which is basically what? Breaking up the company segments and selling them off based on the average industry multiple, right? Short the stock right away, you'll make money. 95% of the time you'll make money. Because the only catalyst you have

to buy the stock is based on it's sum of parts and breaking it up. There's usually a major problem inside the company. They have no catalyst. They have nothing going on. So what, yeah let's just break up the company and sell it. It's usually a value trap. Usually a value trap.

You want to make sure that there's some kind of short term catalyst. Their sum of parts is put this stock at $11 and it's trading at $10 right now. Plus, you want to have a lot of catalysts that are coming up. And maybe you're seeing a strong demand for something. Maybe, again in the next 12 months you see this amazing catalyst or a few catalysts, growth catalysts coming up. But if you don't see those catalysts, sell the stocks. Believe me. You'll make a lot of money on it. I made that mistake numerous times in my 20 year plus career and I don't want to see you make the same mistake. My dad when we're growing up, especially in the first ten years in this industry was a pure value guy. I alwys looked at cheap companies, low PE's, never really looking at growth. If you don't have that catalyst you're going to be in trouble. And sum of parts basically is hey, nothing is going right with this company at all, so let's break it down, if it sells the parts, it's worth more then this. No. Chances are the stocks will go lower, just from my experience.

The next is population growth which I think is hysterical. I mean, let's break it down before I go off on it. Which I'm trying to contain myself here. Population growth. All right, if you look at it, we're probably going to add another 80 million people to our population, which means what? We're going to need more food, more houses, more TV, more refrigerators, more washing machines, more everything in the world, right? That's a fact. This 80 million people, it's not going to happen for another 40 years, who knows what's going to happen to the markets? Who know who's going to be alive in 40 years. And if you look at it and say well, right what about the first one, two, three, four, five years. If you look at the additions, it's mostly going to be babies and immigrants who usually don't have a lot of money to spend. Right? I'm not putting anybody down, it's amazing. It's a country of opportunity. You're coming here, you really don't have that much. And those, I love it, because people come from other countries and they say, wow if I really work my ass off, I could support my family and make a great living.

But you're basing this on growth on population for over a 40 year trend. I mean it's the most ridiculous argument you could ever make to buy a stock in my opinion. Because you can literally buy any stock in the world and say it's going higher due to population

growth. Whatever it is, it's a bank, you know? More money, healthcare company, oil company, since more people means more consumption of oil. I can make that case for every single stock and ever single industry. I love when I hear that. Because it makes me want to short the stock and usaully I make money on it. Analysts have to do better. Because if you can't find a better catalyst in population growth then the stock is likely a really, really good sure.

That's how I find stocks. Those are the things that I try to avoid, make sure you have a catalyst. It's not just researching an industry again, that Boeing story is just, that happened to be one issue for me. And the next issue would be doing the same thing within the mining sector. I mean I'm going to Vancouver. I'm going to be on an exclusive cruise with the top mining executives in the world, there's going to be billionaires on that boat, and my job is really to search out some of the best stories, some of the best stocks, who's getting crushed and that's what I'm going to do, be doing research the whole time I'm there, this way I could talk to these guys when I'm actually on a Boeing and say hey, what's going on with your company? What the catalyst? What are you seeing here? What do you think of gold? Where's it going? What's the catalyst? The dollars rolling over, you see gold going higher. You got to be careful because every executive within that industry, you think gold is going higher. Healthcare, you think, again when you're talking to the executives, my job is to figure out that story, find that story, and then come back and research what stocks are the best plays based on that trend or that story.

And I want to make sure this big catalyst ahead that are going to push that stock higher. I don't want to buy a stock simply based on value because you'll get crushed. You want to make sure they have some sort of catalyst. Hopefully I addressed that again, and get a lot of emails about that. Okay guys. If you want to get real time comments from me which include political rants, which you got today. And now this is on stocks, markets, the economy, whatever, follow me on Twitter. Handle's @FrankCurzio. I just mentioned earlier I'm going to be in Vancouver next week at the Sprat Natural Resource Conference. I will be reporting live to my subscribers, which should be pretty cool. And we'll be sharing some interesting ideas, again Podcast listeners have dozens of meetings set up, including some of the smartest and wealthiest people in the entire resource in The Street, again I should have some really cool ideas to share when I get back. And for subscribers again, I'm going to be sending you alerts and telling you exactly what's going on when I am in Vancouver. And finally, if you listen to my Podcast on iTunes, do me a favor, give it a rating. You can go to one start to five star,

constructive criticism, whatever it is. When you rate Wall Street Unplugged it moves higher up the on the list of iTunes.

And that high rating makes it a lot easier for me to get the best guests around, which we have been attracting a lot of amazing guests. Guys, going forward next couple weeks, we're going to have some really cool guests. Guests that I haven't seen on any Podcasts, guys that took me a couple months to actually book, who actually came to me, which is great. And they're coming to me because so many people listening, you're spreading the word around about the Podcast going higher and higher on iTunes and they know that, hey, let's get some more exposure, this is the way to do it. So, we get that exposure, but if you go on, you rate the Podcast again. You give it a one star if you think I'm horrible, which I'm probably going to get a ton after my political rant today, which is cool, or five stars whichever is better. But the more ratings, the higher it goes up and it's easier to get more quality and really, really good guests. Which I know you guys love.

That's it for me. Thanks so much for listening. I'll see you guys in seven days. Take care.