WALL STREET UNPLUGGED

AUDIO TRANSCRIPT

Frank Curzio: How's it going out there? It's Wednesday, October 4th. 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. Man, it's crazy what's going on in the country right now. We have over 500 people hurt, close to 60 people dead after a 64 year old man opened-fired on people who attended a Country Music Festival in Las Vegas. The deadliest mass shooting in modern U.S. history. I'm sure you read that headline a lot everywhere all over the media. Officials said they found 18 guns, a bunch of explosives, thousands of rounds of ammunition at the shooter's house, and they also found 10 rifles in his hotel room that had scopes on them. This is in Mandalay Bay where he shot from. It was like the 32nd second floor shooting into a crowd of people. The shooter ended up killing himself.

Imagine for just a minute being at that music festival. You're relaxing, enjoying life, and doing what you're supposed to do. Right? You're forgetting about everything. Listening to your favorite music. Some guy just open-fires. Just starts shooting an automatic weapon into the crowd for 15 minutes. We're talking hundreds of bullets, if not thousands. Fifteen minutes. I'm not too sure if you know how long that is, but it is so crowded that people couldn't move, they couldn't run, and just watch people next to them getting shot, trying to get out and they couldn't move while someone is just opening fire within the whole crowd random shooting for 15 minutes.

I'm actually speechless. I guess it might be easier if there was a reason behind it, but they can't even find a reason why this guy just went crazy. There's no notes left behind, no social media posts. It was planned, obviously, with all the guns at the hotel. Plus recent news just came out that he set up an account for like a $100,000 overseas, like in Philippines, so maybe an attempt to get away. Nobody knows why this guy just went nuts and provoked him to kill what? Close to 60 people and wound over 500. He's supposedly well-off. He's a retired accountant. A guy that likes traveling and it's not a terrorist with an agenda.

A world where, you know, there's so much controversy going on

now. Whether athletes should stand or kneel for the National Anthem. Our country's more divided than ever when it comes to politics. We actually hate the other side. We can't have meaningful debates anymore. If someone's a Democrat, someone's a Republican, we hate each other. We hate you. I don't even want to listen to what you have to say. When something like this happens, where innocent people are getting gunned down the streets of major cities, man want a different perspective. Lives are being lost. Is it a racial thing is it? It's much bigger than that. We really have no idea how to solve this problem. I haven't heard a good idea to solve the mass shooting problem, which seems to take place every few months in this country.

People say, "Well, if we get rid of the guns." Look, I'm not for or against guns. I lived in New York for 40 years where owning a gun is illegal. I live in Florida now for the last six years where anyone can own a gun and I still own a gun. I'm not for or against. It's not about that, but I know one thing. If somebody wants a gun legal or not, they can easily get one. It's almost like drugs. I'm sure everyone listening to this podcast knows someone that can get you any drug you want inside of 30 minutes anywhere in the US. If you're one of those parents and you're naive and say, "What is Frank talking about?" You know what, if you have kids in high school, college, ask them. They'll be able to get you any drug that you want or they want inside of 30 minutes. It's sold to every high school, every college, every bar, any place very easy. Even if you come out with new laws, they'll be able to get them. There will be a black market for it. That's not a solution.

We need to figure out the answer to these mass shootings, which requires ... I don't even know what it requires. There's a lot of anger in our society, more than any other time in my generation. We see that hate usually doesn't result in someone going off the deep edge and killing, shooting innocent people in the middle of the streets. It's difficult to say. A lot of times we blame everything, right? Played Monday morning quarterback. The parent should have known about this or his relatives should have known about this. You know, a 64 year old's family should have saw this coming and alerted police, but that's not always the case.

Again, you have people angry at people that own guns. I mean, who sees this coming? Maybe some parents, maybe, but something like this? I mean, this crazy? A problem is getting worse each passing year and we don't have a solution. How do we stop this? I just feel terrible for the families and friends of these victims. They're going to Las Vegas to basically get away from all their

responsibilities for a few days, right? That's why they go to Vegas. Even if you're a local, you go into a cool concert, just kick back, have a few beers. I don't know, celebrate a birthday, anniversary, enjoy some great music, and now people have to worry about taking their families to concerts now? I mean, to baseball and football games, maybe?

I mean I was in Vegas two months ago with my wife. I took her to see a concert. It could have been me. It could have been my kids. It just makes you think I don't want my daughters going to a concert with their friends and I'm not a paranoid person. I'm being honest here. It's definitely going to be going through my head when in a few years ... My daughters are nine and seven. I've still got a while. When they do go to concerts alone with their friends, it's going to be going through my head. Of course it will. With your kids, you're always worried. Just a horrible, terrible tragedy. I know there is a GoFundMe campaign going on. It's been set up on the website GoFundMe. They're accepting donations for the victims. It's already over $1 million, which is really cool. Love it when people come together with something like this. At National Compassion Fund, they've set up a dedicated fund that all money donated would be directly distributed to the victims and families of the tragedy. I just wanted to share those sources with you if you're looking to help out a little bit.

Even outside the shooting where we had the disaster in Puerto Rico where electricity is still out in some areas, huge floods. Tons and tons of rebuilding after two major hurricanes directly hit Puerto Rico to the biggest ever. Man, so many terrible things going on right now it just really puts things in perspective. Here we are supposed to live in the greatest country of the world, free from mass shootings in the streets. I know these are isolated situations, but in this day and age did you ever think this is something we would have to worry about? Our kids would have to worry about? To where a family could be in jeopardy if they go to a fun event, a concert, a baseball game, basketball game, or even a dance club. In pretty crazy times right now.

Again, my prayers go out to all of victims, the terrible tragedy. I just felt the need to really talk about it a little bit. It's really been bothering me. It's not easy transition here. I know this is an investment podcast, so I will try. Let's get to the markets, which will continue to hit new highs here. I did bring back one of the biggest bears I know to discuss the risks in the marketplace. His name, I have to say it a lot if you know, is Rich Suttmeier. Rich, the CEO and founder of Global Market Consultants, also writes for Forbes

and the Street and analyzes stocks and also the markets for over 40 years. Forty years, which is incredible. He's also an expert at analyzing the Fed's balance sheet, which he's been doing for the past three decades. Rich is going to give you his market forecast. Get ready for it. I'm sure you know it's going to be negative. Although he is more bullish right now. That'll be interesting.

He's then going to talk about the best stocks to own, which names and sexes to avoid as this bull market, which has been going on, what, eight years now? We all know it's not going to last forever. Rich will also break down the recent home sales data, which in the case of the housing market, could be due for a minor correction after the incredible one since 2010. Some really great stuff from Rich, who I love bringing on because he challenges my thinking of someone who's been bullish for a long time. I've mentioned this a lot over the years on his podcast, when it comes to analyzing stocks the best thing you could do, if you're super bullish or super bearish on a stock or even a sector, you always want to talk to someone that has a different opinion than you. Not the hundred people who share the same thesis because you're never, ever going to learn about risk that way.

You want to have such a positive thesis where you find someone so negative on it and analyze each point he's negative on. If you could prove wrong and say, "No, I don't see this. I don't see that this is possible," it just tempers those expectations a little bit. It helps you out in that research process because that person's digging in 10 times harder on the short end that you are on the long end most times. It's great to listen to that other person that has a sell rating, that hates the stock that you love. It's great. Again, it's an easy way to learn about risk, what you're not seeing. You're not going to find that if you high five the hundred people who own the same stock as you and the same thesis. Usually if a hundred people own the same stock as you, it's all your friends. Use that as a sign that you should sell. It's a quick tip there. T

hat's why I love having Rich on even though we disagree in the market for least the last six years. He just makes me dig in more, do more homework, to prove my thesis is correct. We have a really great interview coming up and in my educational segment, I did a ton of research on this, guys, which I know you guys are going to appreciate. We're going to break down what tax reform means for you when it comes to investing in certain sectors and also individual stocks or, basically, what the winners and losers are going to be if we get tax reforms passed.

Now, a quick heads up. Be sure to get out a pen and paper. These

are going to be mentioning at least 30 stocks, guys, with their symbols that will be heavily influenced if these tax reforms are passed. You want to write down all these names. You'll listen to the podcast 10, 15, 20 times. I know when people say, "Frank, what's the symbol of that stock that you gave?" Just rewind it, rewind it. It's a simple button; rewind. You can figure it out or write down a lot of these names. It's going to be a ton; at least 30, probably a lot more. Some awesome educational segment coming up filled with a lot of investment ideas. I feel like a teacher that's giving out homework assignments in my class. I'll be giving you a list of dozens of stocks and find out which are going to be best for your portfolio. It's going to be an awesome, awesome educational segment. Before we get to that, let's jump right into my interview with my buddy, and 40 year veteran of the markets, Rich Suttmeier. Rich Suttmeier, thank you so much for coming back on the podcast, bud.

Rich Suttmeier: Thank you, Frank.

Frank Curzio: It's been a while. I usually like to have you on every three months or so to give us that outlook of you don't have to be worried and the markets could come down. I think the last time I had you on was May, so its been a little while and I'm looking forward to catching up here.

Rich Suttmeier: OK. Let's start it. I know you're going to be grilling me on a lot of things, so let's start the grill.

Frank Curzio: All right. Let's start with something that's right in your wheel house, where something that I love that you do in detail is analyze the Fed's balance sheet. We have a Fed that says, "Who cares about the target. We set a 2% inflation. We're still going to raise rates." Is this something that worries you at how much debt we have on the balance sheet and we're raising rates at a time where we're not really seeing inflation?

Rich Suttmeier: I think that Congress should repeal and replace the Fed's dual mandate. That's what I think. When it was implemented 40 years ago, we were in a situation where energy prices were on the rise, we were slave to OPEC, and now we're almost in an energy exporter, and probably could be if we put our mind to it, and got through the Houston issues and the hurricane issues. We'd be an energy exporter and the price of oil can come down again. In 1979, we had a 9% of inflation rate; 9% in 1979. We don't have that. We're spending years struggling to get to 2% and that's the Fed mandate. I'm saying let crude oil allow the inflation rate to come down. There's nothing wrong with having better cost-of-living on Main Street when 70% of people on Main Street are living

paycheck to paycheck. The most important thing is how much it costs to fill up their tank with gasoline. That's the most important thing in this economy and we have to recognize the fact that we have an energy advantage over the rest of the world and we've got to take advantage of that trade wise.

Then when you look at the employment side of the equation, the Federal Reserve right now says we're at full employment and she's worried about labor market pressures. Yet the President got elected on jobs, jobs, jobs, bringing back high paying jobs to America. This dual mandate mandate is 180 degrees away from President Trump's, President stuff, Trump's campaign promises and pledges and that has to change. Yellen should be fired in my judgment and let's start before the Fed does the most stupid thing of all and that is start to unwind their huge balance sheet. I don't know how much they need for all the activities, but I'm sure out of $4.5 trillion, $3.5 trillion can be moved into the Treasury accounts, various Treasury accounts, as treasuries mature and help get us through healthcare reform, plenty of money for that, ease the pain of tax deductions and reform, and help with infrastructure spending, which is only going to be worse than expected because of three major hurricanes.

Frank Curzio: Yeah, it is pretty crazy out there right now. We know that Yellen's not going to get fired, but her term is up when? I think it's next year.

Rich Suttmeier: January. It's January.

Frank Curzio: Okay.

Rich Suttmeier: There's open seats on the board now. We do not need the mandate that's 40 year's old. That's ridiculous. Just like we don't need the tax code that's 40 years old. Just like we don't need the red tape that's been created with Dodd-Frank over the last eight years. Stuff has to change.

Frank Curzio: This is a different Suttmeier, I think. I mean it sounds like you're in favor, or maybe you're just worried that if we do raise interest rates, if we take a lot of stimulus out of the market where ... You know, keep it there right now-

Rich Suttmeier: It's being ridiculous. To get through the infrastructure, we need low rates right now. They had their chance to raise rates, but they ignored their guidance. They could have done that between 2012 and 2014. We could be having a 3% funds rate if they abided by their rules that we're going to raise rate when the unemployment

rate got below 5.5%. They didn't do that. They reneged on their pledge, so why have a pledge if you're not going to follow it?

Frank Curzio: It is interesting. How does this impact globally? We're seeing the global markets have been a huge drag since 2011, 2012. Now they're all roaring back. We're seeing a lot of these countries, which are really depressed in their markets, especially in the large cap end; they're biggest manufacturing companies. They're starting to outperform even the S&P 500, especially over the past six months or so. How do you see this all impacting even the global markets? You have a lot of people saying okay, that's-

Rich Suttmeier: [crosstalk 00:17:24]

Frank Curzio: Go ahead.

Rich Suttmeier: I'm following the U.S. economy too much. The companies that are involved in China and the major areas, the ones that have the $2.5 trillion or whatever overseas that we want to bring back, that's a key. We need to do that. We have to do that and we have to level the playing field on taxes; particularly the corporate taxes. We've got to help Main Street. Main Street has been squeezed. They're still squeezed. The banking regulations, Dodd-Frank, and all these other things is not helping. A small business loan is like 10.25% if you have good credit. I mean, that's not fair if you know what I mean. It's not fair to give the too-big-to-fail banks all this money which they didn't lend. Did you know that the FDIC quarterly banking profile shows that actual lending by banks declined three quarters in a row at the end of the second quarter? Three quarters in a row of lower lending.

Frank Curzio: Is that a factor of-

Rich Suttmeier: [crosstalk 00:18:44] like their increasing lending, but they're not.

Frank Curzio: Rich, is that a factor of regulation though? Is that because they have to keep high ratios of cash on a balance sheet? Does that have to do with it?

Rich Suttmeier: There's a lot of things that have to do with it. They can get free money by keeping up the Federal Reserve to earn the little interest the Fed gives them on the money that the Fed printed, they're doing that. They're just sitting on it. I look at QE. That's not a part of the dual mandate, yet they did it as an experiment without even discussing with anybody in Congress ... People in Congress wouldn't have a clue what they were talking about anyway. I view QE in layman's terms. The Federal Reserve was very smart when

they did QE 2. They created a savings account for the U.S. citizens. Now, let's spend it when we need it. Okay?

Frank Curzio: No. It makes a lot of-

Rich Suttmeier: [crosstalk 00:19:51]

Frank Curzio: It makes a lot of sense. I want to go back to something you said a few minutes ago about repatriation. Is there a way, because we know there's $2.5 trillion overseas, both sides of the isle agree this money should come back at a lower tax rate. There's just differences of whatever, maybe 5%, whether it's 10, 15, 17, or whatever it is. Real quick, do you believe that this money came back, not the whole $2.5 trillion's going to come back, but should there be some kind of mandate in place? Again, you don't want to cross the line here of how you invest it, but if we bring this money back and companies just buy back stock. You have Apple sitting on tons of cash and maybe they decide to sit on that ton of cash here instead of overseas, which I think 90% of that cash is overseas of the $250 billion or whatever it is, is there a way to have these companies spend, build more factories, and stuff like that? We could see this money coming in, which we've seen in the past like this, where maybe they're just buying back stock, which is not going to be great for earnings. It's great for shareholders.

When you talk about middle class America and jobs and creating more jobs and bringing more stuff back here from overseas, is there something we could do about that or you think they're looking at that where, hopefully, these companies spend this money on M&A and building more factories in R&D than buying back stock?

Rich Suttmeier: If there's an infrastructure spending program going on that equates to a trillion dollars over X years, that should provide the incentives to build a plant and equipment here in the United States. Certainly with energy costs still very low compared to where they were eight years ago, that's a powerful thing to hold your hat on. That's what I think we should be focusing on. If you put a 15% tax on repatriation and have it for an open window for, I don't know whether you'd it for a year or two years or six months. I don't know. I mean, the experts have got to figure that out. You should get some of that money back, particularly if you cut the corporate rate. I'd like to see the 15%, but we know Trump ain't going to get that. He'll get 20 if he's lucky, maybe 22. If they water it down, it becomes less effective. Okay? Then you have a problem.

This stock market is anticipating the best of all worlds. We're going

to solve the healthcare situation; that hasn't been done. We've got the tax reform program; that's being debated now. Infrastructure spending; obviously the focus has changed because of the three hurricanes. It's crazy. You know who could help in all of this?

Frank Curzio: Who's that?

Rich Suttmeier: Amazon. Think of Amazon.

Frank Curzio: How's that?

Rich Suttmeier: Eighty-five million Prime members in July, right? You have 85 million Americans spending ... I think the Prime members is now a hundred bucks a year, up from 50, and people are paying it. Okay? With 85 million Prime members, Amazon could solve the healthcare issues by offering the Amazon healthcare programs that employees receive at Amazon if you're a Prime member. How about that for an idea?

Frank Curzio: I like anything that could pretty much solve that problem. Now that I have my own shop, my own business, healthcare costs ... I have no idea how small businesses survive. I have no idea. What's going on right now ... My wife just had to get an MRI, because she's a breast cancer survivor. We got it very early on. We had to pay the full MRI because we didn't meet the deductible. I'm already paying, I want to say, like $3000 a month or something. I mean, it's outrageous the cost and it doesn't even cover anything anymore.

Rich Suttmeier: I looked it up on the Internet. Amazon offers also dental as part of their healthcare programs. I'm sure that the options that the employee gets and the share of what ... Obviously, Amazon isn't going to share the cost with non-employees, but to provide it, which is an affordable rate more than what we're seeing now with 45% increases projected for 2018. I'm sure that people like yourself, if you looked up what I could get if I worked for Amazon and you pay the whole bill, it's going to be a lot better than you have now and, certainly, with less upfront money when you go to use your plan. Most people who are on the ObamaCare policies, they don't even use it because they got to pay out-of-pocket so much.

Frank Curzio: I like the idea. I really do. I'm going to bring something up, which is going to be pretty crazy here. You talked about the $1 trillion infrastructure, which you're in favor of the $2.5 trillion in money coming back from overseas, a lower tax rate in general. If these things do happen, and even regulation reform on the banks and stuff like that where they can lend more, does this mean you're

actually going to be bullish for the first time in a very long time on the U.S. markets here?

Rich Suttmeier: You know the markets are stretched as they are and they'll continue to be stretched. I just got new monthly numbers for October and quarterly numbers for the fourth quarter. Yeah, there's a little more upside potential just because the momentum is there to drive things higher, but I'm still looking at it as trade it. It's not for a long term investor and have an exit strategy. I've been in the camp that, let's say, you put a $100,000 in the market, who knows how long ago, and now it's worth $300,000. Take $150,000 out of that, you'll still have more money in the market than you started with and your original $100,000 investment is fully paid for and you're still participating in the upside. There's nothing wrong with prudent trimming, so to speak.

Frank Curzio: No, makes sense. Definitely makes sense.

Rich Suttmeier: If you look at the banks and the home builders, the housing data is not that great. Yet the home builders are rallying, the banks are rallying, but the banking industry is still not back to its March 2005 high. The home builder index, or the housing index, is just slightly higher than its June 2005 high, or July 2005 high. The home builder sentiment route is still strong, but it's slipping. In August, existing home sales have stalled around 5.5 million. It was 7.25 million in mid-2006, so we're not fully recovered there. If you look at the single family starts, they've stalled. The only thing that keeps going up is prices.

Now that so called home builders may be helping out in repairing and replacing homes that have been destroyed, then the planned communities could get stuck with inventory and that's what we're seeing now, I think. The coverage of just Harvey and Irma, those two storms that hit the the lower 48 states, covered 14% of the area where the home builders build single family homes; 14% of the area was covered and now have home repair and replacement probably higher up on the totem pole than single family starts, which is why single family starts, in my judgment, are slipping. I think now home buyers are holding off to see what kind of tax reform they're going to get. Are they still going to be able to declare home interest rates and property taxes on their federal returns? That's a wild card, so that's going to be a slowdown. If you don't get proper treatment, if you don't get the healthcare reform, if you don't get the infrastructure spending the way it was expected, this stock market's extremely vulnerable.

Frank Curzio: That's an interesting stat, Rich, by the way.

Rich Suttmeier: All I see from my models are risky levels at which to sell strength. That's all I see and a lot of individual stocks as well. The value levels are almost nonexistent.

Frank Curzio: That's an interesting stat you brought up, Rich, too about how the hurricanes have hit 14% of the new homes being built and stuff like that. That is interesting to see how that plays out now, the repair and the rebuild cycle and stuff like that. We can go into that and housing, but I wanted to get to a couple of things because you just brought it up. Once again, we're talking to Rich Suttmeier, guys. A very good friend for a very, very long time. Pretty much over about 15 years now, Rich, I think we're going on.

You brought up how a lot of your models are saying to take profits and you just recently wrote, which is on TheStreet.com, one of the platforms that you write on all time, of how when you're looking at the charts, the FANG stocks. You're seen a lot of stress in these areas of Facebook, Amazon, Netflix, Google. Are you advising to take profits? These companies had incredible moves. Is it putting stop-losses in because they can go higher> When you look at the charts, and you don't want to mess around with momentum, these things could still go a lot higher.

Rich Suttmeier: They're losing their momentum. They've been leaders in this market. Google set it's high on June 6th, Tesla said its high on June 14th, Netflix on July 21, Amazon and Facebook on July 27, and Apple on September 1st. Apple is struggling to set new highs again, but it's not quite making it so to speak. Today, I wrote an article on Facebook and the Russian ads. The investigations with three congressional panels are going to start talking to Facebook executives; I don't know whether Zuckerberg is actually going to testify, but maybe someone from Facebook will to three different areas. The impact of having fake, politically oriented ads from Russia that potentially impacted the election, that's going to put an effect on their bottom line in terms of advertising revenue and investors should be booking profits just in case.

Frank Curzio: That definitely makes sense. When you say big profits, should they use options? Let's get the individual investors involved here and listen to this. Is it, hey, let's use options to protect yourself, is it just simply putting in stop losses, because a lot of these people are up a ton on these names and-

Rich Suttmeier: There's nothing wrong with writing covered calls if you want to keep the positions because then you're bringing in money. You pick a strike price, it's on a risky level, and if you get taken out and

also keep the premium, there's nothing wrong with that. I like to look at any trade that you have, whether it's Apple or any other stock or whether it's oil or whatever. You're dealing with a core position, then you have maybe a trade off the daily chart, a trade off the weekly chart, so you really have four positions in the stock that you're trading based upon, "I like this company. I'm going to buy weakness if I see it to a value level." You're going to keep doing that and trade back and forth, maintain your core holding. The reason you get rid of the core holding is that the original reason you bought the stock no longer exists in your mind. It could be the Russian scandal for Facebook. Who knows? I mean if Facebook goes into a tailspin because of this, who knows how low it can go.

Look at how Wells Fargo has lagged the too-big-to-fail banks, similarly. You're much better off with Bank of America and Citigroup and JP Morgan than you are with Wells Fargo in terms of risk reward. Wells Fargo problems probably aren't over.

Frank Curzio: You've thrown out a lot of names, also sectors here, too. I want to say someone who comes on the podcast a lot of time and you're cautious and you also sound worried about the markets, too, are there any sectors that you see as buys here? Maybe energy, which surprisingly has the highest tax rates. Maybe you don't see it because-

Rich Suttmeier: You know what I've been liking and it showed up in the September data? There are eight dogs of the Dow. Go onto Forbes.com and search my name and look up the ... I write a monthly report on what I consider ... I know there's 10 dogs of the Dow, but I only pick eight at the beginning of each year because I look at it a little bit differently. The dogs of the Dow went from up 3.5% at the end of August, to up 8% at the end of September. It outperformed the Dow in September. Probably back in May when we last discussed, I made mention that I thought investors should get rid of and get out of the utilities because their dividend can't compare to the dogs of the DOW. I think I remember mentioning that back then. That's one of the things we may have talked about and that's been working. It's more or less strategies that have been working and baskets of stocks, not any specific stock pick that I have liked.

I don't get what Bitcoin is all about, but if you want to play that, play it with Nvidia, NVDA. At least there's a connection there. What it is, I'd like to have somebody explain to me because Bitcoin something I don't even want to get versed in. How about you, Frank? Do you like Bitcoin?

Frank Curzio: I'm learning a lot about it. It's kind of fascinating. I will tell you,

INVIDI doesn't have as much exposure as everybody believes. That's one of the plays that people are saying. They do have a little exposure. They have the fastest-

Rich Suttmeier: But not as much as ... I don't know that. All I know is what I read. Therefore, I look at the stock that's most related to it. The relationships, to me, some things are kind of crazy. I think I agree with Jamie Diamond on Bitcoin.

Frank Curzio: It is pretty crazy to see where the prices have gone.

Rich Suttmeier: That's a good guy to agree with, don't you think?

Frank Curzio: Yeah, but also, Goldman Sachs just announced that they're creating a whole platform for Bitcoin, which is interesting. They announced that yesterday. It was a little back and forth.

Rich Suttmeier: They're in it for the buck. You know, they're in it for the buck. Period.

Frank Curzio: Absolutely. Absolutely in there for the dollar.

Rich Suttmeier: They made a lot of money back 30 years ago when they created the Goldman Sachs inflation index. Remember that?

Frank Curzio: Anything with volatility they'll trade.

Rich Suttmeier: Anything with volatility. If you look at the ET of GSG, it does have a positive and it's only traded with a $14 handle. If you want to speculate on commodities, that's the way you do it. The kicker is it's probably 70% oil related. You get all the commodities, but mostly the oil component is the big one in GSG. You might look at that if you like commodities. Let's face facts. If we're going to have infrastructure spending, we're going to need commodities to do it.

Frank Curzio: Rich, last question here because this is always fun when I ask this, but say if we don't get infrastructure, that huge bill, say if we don't get tax reforms, say if we don't get anything on the regulation of Dodd-Frank, where could you see these markets going by, say, next year if we get none of this stuff passed?

Rich Suttmeier: I'm looking at just the percentage to get back to the pre-crash of 2008 high. Okay? Just take that statistic. The S&P 500, that's 60%. Okay? For transport, it's 80%. Just get back to the pre-crash of the 2008 highs. The biggest one is the Nasdaq, 127%. You know where it was in November of 07 before it crashed? The Nasdaq? 2,861.

Frank Curzio: Wow.

Rich Suttmeier: A lot of people don't realize that.

Frank Curzio: The incredible move. You're predicting what? You think that the markets could fall in excess of 35% if we don't get a lot of this stuff that's priced into the market. Is that correct?

Rich Suttmeier: Yes, because I think we're going to erase the gains above the pre-cycle highs. The Shanghai Composite, it's high back in October 2007 was 6,124. Where is it now? Three thousand something, right?

Frank Curzio: Just when I thought you were getting a little bullish.

Rich Suttmeier: It's risk reward, Frank. Everybody says there's a lot of money on the sidelines. Well, that's not true. There's a lot of debt on the sidelines. If some people say, "Well, the stock market is now worth $13 trillion." Well, debt on the balance sheet of American families is $13 trillion. That's not going to go down without being paid down. Stocks can go down quickly by a large percent and we've seen that with a lot of these flash crashes that we've had over the course of the last eight years. Okay? When panic sets in, people sell into weakness. Margin debt is at a record high; still is. Every time I talk to you, margin debt goes higher.

Frank Curzio: No. Listen, you bring up a lot of good points and I respect your opinion. I just think a market crash like that would, basically, result in the Fed doing exactly what they did last time because they made money on almost everything that they dealt out.

Rich Suttmeier: No, it's going to be a different Fed of different men if they listen to me.

Frank Curzio: I'll put in that request for you the next time I see the President and Yellen, who may not be around.

Rich Suttmeier: It used to be back in the 1970s, I was a trader at the primary dealer trading desk, and I would go attend the meetings at the New York Fed, individual meetings. They'd chat with me. I would be the one to go back to my desk, and I'm one of only 12 primary dealers back then, and I'm telling our clients through the sales force my interpretation of our conversation. That's how the market got its work about the Fed. Okay? Now, instead of being bank regulated, the Federal Reserve officials are TV stars. They spend more time in makeup chairs than they do trying to figure out what's going on at Wells Fargo. The too-big-to-fail banks need to be broken up, okay?.

Frank Curzio: We'll see if that happens, though. If you're looking at the banks, too

... If you look at the early mandate, we'll end this here, it's basically with the Feds is they want to create banks that weren't too big to fail and now they're, what? Five times bigger than they were pre ... Not pre-credit crisis, but maybe the credit crisis lows, but they're so much larger than that. How would you break those up? They're almost impossible to break up now, aren't they?

Rich Suttmeier: No, I don't think so. Merrill Lynch comes out of Bank of America pretty easily. Chase comes out of JP Morgan Chase. That's a good start. Break up Wachovia and Wells Fargo. That's a good start. They're still two separate business lines, if you will. I'm not sure off the top of my head what's inside of Citi walls, but what's interesting about looking at the big banks is that if you go to these super regionals, like the BB&T, MNT, and U.S. Bank Corp, they're four of the top five. Their peak for this year was on March 1st. They still haven't recovered their March 1st high. The only one of the big five banks that have is PNC Financial. They set a new high at the end of September. Bank of America and Citigroup are still way below their pre-crash highs, but they set post-election highs today along with JP Morgan.

Frank Curzio: Very interesting. Well, listen Rich, I love it. I love talking to you because you can go anywhere in the market. You always have a different opinion than me. I tend to be a tiny bit more bullish than you, but I [crosstalk 00:43:28].

Rich Suttmeier: It's not a question of being bullish or bear. It's about if you trade in the market, you're trading with the flexibility to get out when the getting is good and you've got more cash on the sidelines than a lot of people think is prudent. I think it is prudent because when I'm looking at things, if you're going to reduce more on spending to the risky level, but the percentage is to go from where we are now to the risky levels is a difficult bet. If you want to make that bet, you use one of the ETFs that you like and you'll have a sell stop if you don't make a certain percentage in a certain amount of time. It's a very disciplined area, so to speak.

Frank Curzio: That's really smart. Think of it that way, too, because if you have money on the sidelines and that crash does come, you're going to be able to pick up your favorite names at dirt cheap prices, 30 to 40% lower if that does happen, which we see. [crosstalk 00:44:26]

Rich Suttmeier: Did I mention my latest endeavor?

Frank Curzio: No.

Rich Suttmeier: No?

Frank Curzio: Why don't you mention it now?

Rich Suttmeier: Okay. I think everyone should go to my new website, which is www.themaven, M-A-V-E-N, .net/richardsuttmeier. That's www.themaven.net/richardsuttmeier. Go in there, click follow, and become a member of my traders club.

Frank Curzio: You see that? You answered that for me because I was going to say if we want to find out more information, because you also do a lot of work with TheStreet and all and with Forbes, too-

Rich Suttmeier: TheStreet has cut back a lot, unfortunately, but I'm working on some other ideas, which we can talk about off podcast, so to speak.

Frank Curzio: Yeah. We'll talk about it off podcast. You can definitely share some of those when you come on next time. Rich, I really appreciate you coming on. Again, we can go anywhere. I love to talk about the Fed balance sheet with you. I know people have a lot of respect for you, too, and my listeners. They love having you on, love getting that different perspective, and I really appreciate you coming on and sharing that with us, bud.

Rich Suttmeier: Okay. Thanks, Frank.

Frank Curzio: Hey, guys. Great stuff from Rich there. You don't have to agree with him, his opinion of 35% decline of the market is pretty steep, but he does have the stats to back it up. Thirteen trillion stock market valuation, yet $13 trillion in debt. Interesting. Housing is clearly breaking down based on the latest statistics. I love the point he brings up where no tax, infrastructure, healthcare, or deregulation, those are forms ... If we don't have those, could push the market significantly lower. I agree with that. Not 35%, but we have a large premium in this market. Look at what taxes did over the past week or two as this really came forefront and this is where we're focusing now that healthcare didn't get passed. A lot of this stuff doesn't happen. Hey, there's a big premium in the market for all these forms to get passed. He's right.

It's going to take profits, it will take a little bit off the table, having cash on the sidelines. He's brilliant when it comes to analyzing the Fed's balance sheet and a cap on the bank's balance sheets where lending has declined for three straight quarters. What point am I getting here? Even if you have a different opinion from Rich, which I do, there's thing you can take from every interview, from every person, even if they have a different opinion from you, and look

at some of these facts. Rich is not basing them on just thin air, "I think the market's coming down," and that's it. He'll explain why he believes this is going to happen. I know he's been wrong for a while and I've been right. We joke around about it, but this is how you should look at interviews like this.

I don't want to bring on guys that have the same opinion as me, always bullish and we're talking. Sometimes that happens. It's nice to have someone on that has a different opinion. You get two sides of the story and you guys decide and figure out what's best for you, your portfolio, your family, how you're going to play this market over the next 10 years. That's what this podcast is about, learning as much as you can from the guest and different people, and it's good. It's a great platform, that's absolutely for free. I know you guys appreciate and you're going to appreciate my educational segment right now because I'm going to give you a lot of stocks, lots of stocks, and their symbols right now.

We do have a potential big catalyst for stocks, which is slowly being priced into the market now. It's just mentioned, but we could have tax reforms on the way. We know the GOP does not have a good track record for trying to get enough votes when it comes to reforms. We've seen that plenty of times, but there's a strong likelihood that it's going to be different this time, basically, when it comes a change of our current tax structure. Both sides of the isle want to do it, it's just a matter of percentages and how we're going to do it.

Republicans enjoy a 52-45 majority in the U.S. Senate, but they do need 60 votes to prevent a Democratic filibuster. To get around this, Republicans will have to resort to a process, which is called budget reconciliation, under which the Senate debate is limited to 20 hours and, thus, it's not subject to a filibuster. However, and this is important to understand the background here, just minor things I'm going to mention before I really get into the stock picks and winners and losers, there's a clause within the budget reconciliation process that prohibits any provisions that would increase the government deficit beyond 10 years. That's where things get interesting because from now until 2027, they're saying this current tax plan would cost $2.7 trillion and increase our debt to GDP ratio to 101%. That's by 2027 from the current debt to GDP ratio, which is about 75% now.

Of course, these estimates are being thrown out by Democratic economists and as for the GOP to counter that, which includes Secretary Munchen. He recently said that these tax cuts will result in significant economic growth. They're going to pay

for themselves. He actually said that. This was for 3% annual economic growth once this has passed. It's interesting because it's for a country that's barely growing a 2% rate over the past 10 years. They're both fighting back and forth to see, but it looks like right now the odds are that this is going to be something that gets passed.

I want you to forget about politics for a minute and let's look at the specifics of the current tax proposal. They're looking to reduce the corporate tax rate to 20% from 35%. This is against the 50% originally proposed by Donald Trump. We're looking at 20% now. Reduction in individual tax brackets. There's just three, which is going to include 12%, 25%, and 35% from the existing seven different tax classes, which is amazing. They say an additional top rate may apply to the highest income tax payers. They want to lower the taxes on money brought back to the U.S. from overseas. Grab $2.5 trillion in cash overseas, mostly from tech and healthcare. These companies do most business overseas. This tax will be reduced from 35% to around 10 or 15%. This is a point that everybody agrees on except the 10 to 15%, around there, depending on where they'll agree to.

They want to repeal the tax. They want to eliminate taxes on inheritance. That's basically what's on the table. I think it's important. We need to cover that in the background before we get into the fun part. Again, leaving politics out of this and only talking about the investment side, here, or how you could make money if tax reforms are passed. It looks likely right now, that some of these proposals will get enough votes. That's what we're looking at. Who's going to benefit? If money comes back into the U.S., and this is called repatriation, it's going to come back at a much lower tax rate. If companies are paying 10% in taxes instead of at 35%, which is proposed, that's going to be really huge. I expect a lot of this cash is going to go to buybacks, additional spending on R&D, raising dividends, so one safe way to play this is buying DGRO. That's the iShares core dividend growth ETF.

Actually, another way to play it similar is SD, as in dog, Y, SDY. That's a spider S&P dividend ETF. All these companies will likely increase their dividends with a portion of this newfound cash that they're going to bring in. You have two ETF, a conservative way to play it. There's also an ETF called the spider S&P 500 buyback; the symbols S, P as in Paul, Y, B as in boy. This is a fund that has large cap companies have a history of buying back their shares, which is always good news as long as those buybacks take place at the right levels. That's what I'm worried about. With stocks at all-time highs

and bringing this cash in, do you really want to see companies buying back their stock when evaluations are pretty much at the highest levels for a lot of these companies at any time over the past 10 years? I'd rather not buy back, but if you want to raise dividend I get it.

Invest R&D, M&A. That's Research and Development, Mergers and Acquisitions. I get it, but buyback's not too short. I'm sure a lot of this is going to go to buybacks. There's an ETF out there to invest in large cap companies. Again, they have a history of buying back their shares. It has a tight trading range, between 48 and $55, pays about a 1.3% yield. As expected, like every other stock and sector right now in the market, it's trading close to its two week high, but it may be worth a look.

Let's turn to sectors. When you look at banks, they're going to be beneficiary. They pay an average tax rate of 31%. That's going to be likely lower to you, the 20%, maybe 25%. Large cap banks will benefit. I think some of the best to buy right now that I disagree with Rich Suttmeier and his Wells-Fargo pick. I think a lot of the negatives and everything is priced into this thing. I hope I don't find more surprises. That's not really trading too much off its low, but you'll probably get a 10, 15% off its 52 week high right now.

We have JPMorgan. Both of these companies are pretty cheap. You're getting Wells-Fargo coming off its highs. All the controversy, the sales practices, still pays a 3% yield. If JPMorgan, and you may say, "I don't know, Frank." There's a company I'd recommend you buying in the 50s for, say, a year ago, less than a year ago. It's still cheap even though the stock has went up into the 90s right now because earnings are growing very fast. They also pay a solid dividend of 2.4%. I still think they will be a huge beneficiary.

Energy, which is really interesting because energy companies pay the highest taxes of any sector. That may surprise a few, surprised me. Their average tax rate is 38%. I know some of these companies are reporting losses from overspending the past few years, especially on the big cap, small cap side. Energy companies are going to be one of the biggest beneficiaries where these tax breaks will drastically increase earnings. You look at a 30% rate going to 20, you could see earnings increases going from 10 to 20% individually from these guys. That's a huge, huge number. Simply from a signature on tax reforms. If you did a research, you're going to see the actual number or actual paid from the energy companies. I'm not talking about the tax rate or percentage. When you look at that, it's low compared to every other sector. Why? Because all prices crash from over 100, what was it? Three years

ago? Over 90 to around $50 bucks today, so profits are down significantly today compared to 2012, 13, 14.

We had the Exxon's, XOM, Pioneer, PXD, EOG resources. EOG's are simple. Chevron, CVX. Long term beneficiaries if tax reform legislation's pass. A good sector to invest in. You're seeing that right now. Money is getting put into the energy sector. A list of the companies with the highest percentage of offshore cash relative to their market caps, so companies that are going to be the biggest beneficiaries of a lower tax rate on offshore profits, repatriation, that are going to come back into the U.S. Caterpillar's on top of that list, C.A.T, CSCO, C-S-C-O, Pfizer, PFE, Western Digital, WDC. No surprise. Well, maybe with Caterpillar, but healthcare and tech have the biggest piles of cash sitting overseas.

It's worth looking at these companies, just don't look at them based on tax reforms. See where the catalyst is, where they're going. Are they raising their dividend? Is there any growth within it? What's Pfizer working on these days? Western digital, CSCO, Internet of things. How much are they transitioning their business, which is 60 or 70% of networking, which is terrible. IOT accounted for 5%. See how much is accounts for now as it gets to be a bigger piece of that pie, just like IBM. IBM service, terrible. That Legacy business doing horrible, but they're transitioning over the past five years, six years, into faster growing markets.

Big Data A.I. social media. Look at those percentages. Don't just blindly go in and say, "Wow, these guys are going to be beneficiaries of tax benefits." No. Look into these companies individually. This is the starting point, guys. A list of companies with the highest overall tax rates, you have Gap, simple GPS; 39%. That's the average annual rate this company paid over the past 10 years. In fact, the company's are going to go over right now. This is the average annual tax rate they paid over the past decade.

CVS, 39%. ConocoPhillips, 47%. Southwest Airlines, 38%. Again, this could get lowered to 20 or 25%. It's going to be a big boost in earnings. PAYX, P-A-Y-X, 35% they're paying. Comcast, CMCSA, that's 37%. I know I'm banging out a lot of names. That's why I told you to get out your pad and listen to this podcast four or five times, but I want to get through it because I still have more names to come. These companies are going to be the biggest beneficiaries. Many of these companies will generate the most money or see the largest earnings increases if they choose not to reinvest this cash or whatever. If these tax reforms are passed, these are going to be huge beneficiaries.

Technology companies, believe it or not, are going to see the least benefit. They pay the lowest tax rates on average, which is about 22%. Kind of weird and interesting because we always see tech CEOs pretty much always talk their political agenda, coming out, read a speech against Trump. I remember them speaking against Obama in the past, as well. Maybe like the GOP and stuff. I always wondered why they were just so against lowering taxes. Lowered taxes are going to result in massive increase in profits for each of these tech giants. Plus, technology companies have the most company, by far, overseas and that lower tax rate's going to come back. Yet, there are so many CEO's against it. Against this specific policy. It's interesting because he'll have technology companies taking more advantage of the system than anyone else. We have an accounting shenanigans to lower their tax rate well below the corporate average, which seems a little hypocritical to be how they act like lowered taxes will destroy the economy and protest how the rich benefit from these tax cuts, but really it's not providing any benefit to these guys so it's easy to speak out against it.

Their current tax rates are lower than the lowest possible rate the GOP is offering right now based on these tax reforms. I mean, look at Google, right? They're paying a 15% tax rate. Qualcomm is 17%, Intel 19%, Microsoft 15%. Facebook and Apple are close to 30%. They're going to benefit, which is cool. How do you listen to tech companies and CEOs talk about tax reforms if they already screw you out of paying their share of taxes by basically hiring the best tax attorneys, forensic accounting analysts to just keep their tax rates down and find loopholes. It's not about Democrat or Republican. I just think these tech CEOs, who are very outspoken these days when it comes to politics, maybe they need to take a closer look in the mirror. I didn't know those tax rates are that low for a lot of these companies.

Healthcare and biotech companies also pay super low taxes already, so they're not going to be big beneficiaries. JNJ, just 17% as of last year. Medtronic was just 6%. Merck, 19%; Amgen, 14%; Celgene, 14%. Again, this is their average annual tax rate over the past five years. A lot of names mentioned. Now, what does all this mean? I'm not just shouting stuff out and shouting statistics out. What does this all mean for you? How can you make money off it? Start adding some exposure to some of the names I mentioned. Start researching them, exposure to, maybe, some of the ones that has some of the highest tax rates, but also have great business or a history of growing earnings. Buying back stocks and raising their dividends. That includes large cap energy, that includes, banks, that includes the CSCO's, that includes the Pfizer's, of tons of

profits offshore.

Not sure I should add Apple on these dips since I knew the iPhone 8 sales would disappoint since the 8 and 8 Plus really have no upgrades from the 7. Although iPhone 10 does have new features, but I'm not sure a ton of people are going to pay ... What is it? $1,100, $1,200 for this phone after you get all the features and the proper storage. It'll be interesting to see how much they can squeeze out of people. I don't see anyone upgrading from the 7 to the 8. Maybe people from the 6 or the 5 may upgrade to the 8. We'll see how that trend plays out. Maybe, like Rich said, you should start lowering your exposure to FANG stocks, which mostly pay super low taxes. As we see rotations of money, it happens all the time where money leaves one sector, say like retail. What happened to retail, especially power companies. Remember Nike Finish Line, Dick's Sporting Goods. These things were up through the roof until that trend changed.

What happens? That money pushes into other sectors, like energy, over the past month or so. If these tax reforms get passed, you have a large institutions, hedge funds, huge money management firms possibly rotating out of these high growth names and into value or cheap stock that pay high yields and are going to be huge beneficiaries of tax reforms. In fact, we're seeing that happen right now. Where value outperform growth last month after ... How many years of growth significantly outperforming value? Maybe go back to 2011? Value's been so out of favor. Last month, we saw that change a little bit. We're seeing a little bit of a rotation.

Let's see if this trend continues since it's difficult to find one person other than somebody that's bearish on FANG stocks right now, which could be a tell, right? These tech names are due to underperform the market, maybe over the next six to twelve months. Especially with the massive tax reforms and that tailwind is going to benefit a ton of stocks and a bunch of sectors outside of technology.

Hopefully like this segment. There's a lot of ideas, a lot of information, spent a lot of time and a lot of homework researching the data and different names. Again, use it as a starting point. I wanted to create almost like a screen for you where you can look through these names, see which ones are going to be good beneficiaries. Make sure the underlying fund ... Basically, the fundamentals are still very good. They have a growth catalyst. You don't want to just buy value and some of us could benefit from tax reforms. A lot of that is being priced into the market right now, but you could get a chance to buy some of your favorite companies

that do have those catalysts that are also going to benefit if these tax reforms, infrastructure, deregulation, if a lot of this stuff comes down the line, these companies are going to be huge beneficiaries and will definitely result in big profits in your portfolio.

Okay, guys. A few quick notes before I go. If you haven't gone onto it yet, please take a look at Curzio Facebook page, real exciting stuff. I just did my first live Facebook video, which is basically me sitting on a $2 Wal-Mart chair sitting in front of my computer screens with a bright white background of the wall. Give you an update on what to expect from our future live Facebook videos. That, too, is exciting. It's really cool, but it's going to get a lot prettier since I just got my office last week. We're in a testing phase. The background's going to look a lot better once I start adding my Kansas Jay Hawks and Philadelphia Eagles jerseys on the wall along with all my stock memorabilia, personal stuff I collected over the past 20 years from my site visits around the world.

The sound's going to be more crisp. It is going to be more awesome. We did put our first live Facebook video up, which is great; really cool. I plan doing these a few times each day; of course, when I'm at the office and on the road a lot visiting companies, talking to CEOs. We're also adding a lot of stuff to the Curzio research page including pictures with executives and marketing experts. It'll update you on trends or stocks that I'm looking at. I'll keep these videos to, like, two or three minutes of these little segments during the day. I also livestream from my site visits, like do live interviews with the marketing experts and those executives I'm meeting when I'm traveling around the world. Will also be doing live Facebook Q&A segments where you can ask me anything live during the session. We'll set some of these up and it's going to be really cool. I'm sure we're going to have some trolls asking some ridiculous questions. Don't worry, I'll be calling them out on it. All this live and for free.

We spent a lot of time and also a lot of money on the cameras, the set up, where I flew one expert down and set up all the equipment here in Florida, help edit videos for future podcasts, which we'll be taping as well live through Facebook. To get access to all this really cool stuff and original content, just go to my Facebook page at Curzio Research. Please, send me your feedback at Francl@CurzioResearch.com. That's Frank@CurzioResearch.com or you can write right on our Curzio Research Facebook. I want the sound, the video quality to be awesome. I know you'll be getting great content, which I will provide, but I want to hear from you to make

this platform absolutely perfect.

Guys, feel free to be critical. I can take it. You don't say things like, "Hey, Curz, you could lose another 15 pounds." Not that critical. Again, to make this site better. This will be a cool medium where you get firsthand behind-the-scenes look at my research by processing my interviews all in realtime. I want to hear from you.

I'm really excited since we're already doing live feeds and it's only going to get better and better as time goes on and we do a lot more of these videos and live tapings. Okay, guys, that's it for me. Thank you so much for listening. I'll see you in seven days. Take care.