



Frank Curzio's WALL STREET UNPLUGGED

Announcer: Wall Street Unplugged looks beyond the regular headlines heard on mainstream financial media to bring you unscripted interviews and breaking commentary direct from Wall Street right to you on Main Street.

Frank Curzio: How's it going out there? It's November 14th. 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.

I'm not sure if you're following this Amazon story. So last year around September, Amazon announced it's going to open a second headquarters. Their current headquarters is located in Seattle, so looking to open up in either US and looking a little bit in Canada but not really, mostly in the US. So they said, "Look, we're going to hire 50,000 workers, invest over \$5 billion to the economy over the next 10, 20 years wherever we go." They laid out all the numbers, and once they made this announcement, again, which was last September, 238 cities and regions applied to bring Amazon to their town. 238. Think about that for a minute. So the state you live in, probably the five largest cities lobbied to get Amazon to open its new headquarters there. So I live in Florida. It's like Miami applied, Orlando, Jacksonville, Tampa. I mean, those are the top four, and you could, St. Petersburg might be the fifth, but they're all sending applications to Amazon saying, "Please, this would be great for our economy. Open shop here."

And in January, again, so this is January, 2018, they announced September, 2017 that they were looking, Amazon narrowed the list down to 20, and it included names, you know, your typical Denver, Dallas, Boston, Nashville, Columbus, Ohio, Los Angeles, New York. I think they threw Toronto on there as well. And these 20 cities when they got chosen were ecstatic. I mean, there's emails that they're

like, “Wow, I can’t believe we got an email from Amazon. They’re thinking about coming here. This is unbelievable. Holy cow.” Because Amazon did a great job showing the actual statistics of what happened when it opened up its headquarters in Seattle, how it resulted in immediate benefits to the economy, including billions spent on construction. Now, there’s over 40,000 of their employees working there, just in Seattle. They have over 550,000 worldwide. It’s insane.

So of course these 20 cities in January when Amazon said, “Hey, you’re narrowed down to 20 from 230 whatever,” and when they did that, Amazon said, “Hey, listen. Here’s what we could do for you. What could you do for us?” Which is normal, right? So they’re saying, “Okay, if we come to your place, what’s the benefit for us? What are the incentives?” Because you’re going to have to provide incentives. You’re not just going to have the biggest company in the world ... maybe, I don’t even know. With Apple as their client, it’s kind of close now. I think Apple is still number one. Microsoft might be number two these days. Anyway, I won’t go there. But they’re providing all kinds of tax incentives, breaks, state grants, to the tune of hundreds of millions of dollars. Again, it’s the largest company in the world looking to go in your area and hire up to 50,000 employees. That’s how the game is played. You offer incentives, and Amazon or any major company is going to guarantee tens of thousands of new jobs, massive spending, which is usually a boon to the economy.

So this week, Amazon chose its locations. They said, “We’re going to do two of them. One of them is going to be in Queens, New York, Long Island City, and the other is going to be in Northern Virginia close to Washington, DC.” They also said they’re going to have a third location in Nashville, very, very small. It’s going to be a hub, like 5,000 employees. That’s small to Amazon, but that’s, you know ... not the 50,000. So they’re going to split it between 25,000 employees in each and open up in two

different areas. Great victory for New York and Virginia. Politicians from both sides of the aisle helped make this happen. Why? Because it's a celebration for everyone, especially since Amazon said the average salary for the employees that are going to be working at these places is \$150,000 a year. It's a lot of money. I know if you're from New York or San Francisco you're like, "Eh, it's not that much money," but for most places it's a lot of money.

Now, when you look at New York, the governor and the mayor, and they're both Democrats, worked together to get this deal done, and it included \$1.5 billion in incentives. So those are tax incentives, state grants, and this \$1.5 billion is not an upfront payment, but it's going to be paid out over the next decade. Kind of making it a drop in the bucket. It's not a lot of money. It comes to New York [inaudible 00:04:36] and everything that they're getting, but it's not a lot of money, especially compared to the economic impact and jobs Amazon is going to bring to Long Island City, Queens, a place I lived in ... well, pretty close. I lived in Sunnyside, which was basically literally where I lived was a block away from Long Island City, which is awesome.

Now, here's where the story gets interesting, because Alexandria Ocasio-Cortez, a newly-elected congressman from New York's 14th District, which the 14th District overs Queens and Brooklyn, and if you haven't heard this story, it's actually awesome, because she's only 29 years old, the youngest woman ever elected to Congress. She won a Democratic primary over Joe Crowley, which is by far the biggest upset victory in a midterm election. Actually, I would say the biggest upset of a Democratic incumbent maybe in decades, considering she was outspent 18 to one. I mean, the girl was a bartender not long ago because her dad passed away, and her and her mom were struggling to pay bills and almost foreclosed on their home. After all that time, she had financial backing from the Bronx Business Institute when she established

a publishing firm, and she called it, I think it was Brook Avenue Press or something like that. Don't quote me on that, but it specialized in children's literature that portrayed Bronx in a positive light, since her district, again, is Queens and the Bronx, which is really cool.

Now, she's a Democrat. New York is a Democratic state. The mayor and the governor of New York also Democrats, who by the way hate each other. They hate each other, right? Really can't come together on anything, but they managed to come together on this because they understand the importance and how big this is going to be to the economy for Queens. Yeah, Bloomberg, who I don't even know what he is these days. I don't know. I'm not too crazy about ... Yeah, I grew up in New York. I'm not crazy about Bloomberg. Anyway, that's my personal opinion, but he's a Democrat.

Now, you have Jeff Bezos of Amazon, who is a Democrat, owns The New York Times, and last I heard he and Trump really don't like each other too much, right? So then you have Ocasio-Cortez, and newly elected, again, young, she came out and said that she doesn't want Amazon to open its headquarters in Queens. She said, "Amazon is a billion-dollar company," and she says, "The idea of giving away hundreds of millions of dollars at a time when New York's infrastructure is bad and our communities need more investment is extremely concerning." By the way, I'm opening up with this because this is personal, I'm a New Yorker, and, look, I like this girl. She's a difference maker. She's got fight. Just for the fact that she's standing up against her own party is refreshing, which I think we need more of between both parties, Democrats, Republicans, instead of the constant fighting where whoever comes up with the idea, the other side automatically just takes the opposite, has a different opinion.

I love it, but at 29, and even though she has a BA in economics from Boston University, all that spirit, I get it.

She just needs to be careful here, because doing something like this could result in a really rough career, and it could end before it even starts, because this is a girl that's against this whole entire project, which is fine, that's your opinion, that's fine, but when you take a stand like this, especially when you just got elected, you need to go over all the facts, do your own research, because, first, Amazon is nearly a trillion-dollar company, not a billion-dollar company, right? Almost a trillion-dollar company. I think they might have hit that for a couple days before the stock fell, along with every FAANG stock, but Amazon is going to invest a ton of money in schools, parks, transportation, and they have to in order to get these grants. They promised under the contract they signed to invest \$2.5 billion to build new offices where construction is going to come from, where do you think? Local companies throughout Queens.

Amazon also said they're going to lease more than 50 floors in the Citigroup Tower. So if you're not from New York, that's the real very ugly tall building that's not in New York City, the huge eyesore when ... If you're driving the Queensboro Bridge, you're going to Queens from the city, you'll see it. You can't miss it. And Amazon said they're going to hire thousands of workers every year through 2028, which will include up to 25,000 workers. Again, with an average salary of \$150,000, not to mention Amazon said it's going to donate space on its campus for tech startups, like an incubator. It can be available to use by artists, industrial businesses, it's going to invest in green space and technologies and agree to spend \$5 million on training internship programs, also participate in job fairs, resume workshops at Queensbridge House. I don't know if you're familiar with Queensbridge House. It's the largest public housing development in the country.

Now, me personally, I'm familiar with Long Island City. I lived there. Probably the only place in the five boroughs that I would say has not seen an enormous amount of

development, like places like really nice where ... Brooklyn growing up, guys, it was, for me, in the '80s and even the early '90s, Manhattan was dangerous. 42nd Street, used to get up there, there's crack vials everywhere, there's prostitutes everywhere. Times Square, Meatpacking District, areas in Brooklyn were extremely dangerous, even in the Bronx. All these areas are absolutely beautiful now. It's amazing the development, and you haven't really seen that, it's still kind of industrial Long Island City, and, again, so it's a great community.

But when you're looking at this deal, it's going to be a boom to Long Island City and Queens. It's a great deal, thus the reason why over 200 cities and towns lobbied for Amazon to come to their neighborhood. Again, this is the way the game is played. This is how you do it. Even when you're a politician, if you're getting donations, people don't give you money without expecting anything in return. You could say it's bribes, but don't say that. You're not allowed to say it, but that's kind of what it is. It's, "Hey, we're donating money to your campaign," especially if it's from corporations, "because we might do something that we're hoping that you go along with or that you support, and that's why we'll donate money to your campaign." If not, then they're not going to donate money to your campaign. But that's the way this works.

But with Amazon being the largest company, very friendly, great for customers, people love Prime, people love them, they do the right thing, they raise ... just payouts for employees. You're looking at all the things that this company has done. Again, this is corporate America and so many people hate corporate America, but this is kind of like one of the good guys. This is a great company that helps consumers, that provides cheaper prices, that's disrupted so many different industries, and it's a company that knows ... known to follow through on what they say they're going to follow through, and they're going to spend a ton of money.

So being a newly-elected super young official where you now have a huge sounding board, you kind of need to be careful how you use it sometimes, because you now have a massive responsibility to do what's right, and I don't care what side of the aisle. This has nothing to do with that, but your decisions are going to impact lives. So the thing to do I would think is just kind of hire economic advisors, meet with Amazon personally before coming up, because they're going to meet with you. They're going to listen to your concerns. It's your district, and say, "Listen, these are my concerns. What could you do about it?" And Amazon might be, "You know what? We'll donate another \$25 million here to this, this, this, and this," which is great. You accomplish a ton. And come up with full-blown analysis, like a 200-page report to show the world why this is not good and why this money would be better spent someplace else.

It's a lot better before screaming at the top of your lungs how this is a terrible deal because maybe you read a few emails and met with a few constituents personally, because in the end it's Amazon, the biggest companies in the world, and right now by saying this you just opened the door to the other 18 cities that didn't get chosen to lobby again in an effort to try to maybe steal Amazon away from Queens, New York and reconsider their choice. And I can tell you, if Amazon does decide to move away from Queens, it's not going to be seen as a victory. It's going to be seen as a disaster, one of the dumbest, foolish, idiotic moves probably in the history of Queens, because you're turning down the largest company who's about to spend tons of money, and a decision that's going to be based on a new-elected official who is 29 year old, who knows little about business, taxes, revenue generation, politics. Again, you're going to learn a ton being in office, and you're also going against a lot of almost every powerful Democrat in the state by doing this.

I'm just hoping she has good advisors to help her come to

her senses. Again, provide data, whatever, because I'll be honest with you: I really like this girl. She's been through the trenches. It's so much better. I always say think about the people who come into office, the Bloombergs or whoever. They're usually billionaires or ... They don't really know how the world works. They went through there. Some of these guys have been, you know, money has been passed down to them. Not everybody because a lot of these guys earned it on their own or whatever, but they've been rich for such a long time you don't really know what's going on in individual communities, right? That's why we all vote, and this is a girl that understands that. I mean, she's raw. She's got a fire in her belly. I mean, it's fantastic.

It's almost like when if you're going to rehab, you don't want to talk to a doctor telling you, "Oh, this is bad if you do this." No, you want to talk to someone who was basically sleeping in a garbage bin and was at the lowest of lows and in the same position that you're in and now got better because they understand what you're going through, and this girl understands a lot what I think the public doesn't know or the big politicians know. I mean, to me I think she's a difference maker. She's going to get a ton of attention, making noise within the party, but I don't think this is the way to get attention, not like this. This is a deal that's going to be good for everyone. Everyone benefits, Queens, Long Island City, the people, which just awesome people, and if Amazon leaves, I think this move could really impact her career. It's really going to hurt her before it even starts.

And, again, I'm a New Yorker at heart. Sorry to get a little serious with you there. So this stuff is personal to me, but I would love to see Long Island City become a premier place within Queens. It's an amazing place where you could walk down to or three blocks and hear seven or eight different nationalities of people talking, but just everybody is nice. They're very hard workers, everybody

around there. It's an amazing community and just to see where Amazon is going within that community and giving those people the opportunity to get jobs that are going to be worth \$150,000 is just incredible, and it's a really, really big opportunity. Amazon will follow through with everything they said, and it's going to be a huge boom to Long Island City. Again, that's an industrial area, not too great. This is going to change the landscape of that industry. I think turning away Amazon is going to be a huge, huge negative.

So sorry about that. Not a rant, just speaking from the heart. Again, I love this girl. I think she's going to be big. I just at this time really looking at this story with everything else going on, I'm just so surprised that she came out and said, "No, Amazon. This money ... " They are going to develop the area. They are going to spend money. They are going to hire 25,000 employees. It is going to be a really good deal. That's how the game is played in order to get big companies, even in countries, even when you're negotiating countries, every place, that's how you do it. You have to negotiate, you have to provide incentives, and these companies have to follow through, and Amazon is a company that has basically always followed through.

So moving on. I have an awesome podcast today. You're going to get so many ideas, so many things. I mean, seriously. First up is my guest, someone who's been dead right on the markets for the past six months, maybe for the first time [inaudible 00:16:20] for 10 years. I'm just kidding. I can say that because he's such a good friend. It's Rich Suttmeier. In all seriousness, he's been dead on with his call for a huge pullback in stocks. He predicted, again, last time he was on this podcast, one of his picks that we used for the All-Star Portfolio, he said that the semiconductors were in a lot of trouble. He was dead on, so we took it upon ourselves in our All-Star Portfolio to have a, I believe it was a two times leverage ETF, and it was actually up 50% at one time, but we took profits

around 15% because the market was whipsawing back and forth, and we had stops on these, but we did very, very well in a very short period with that pick, and he's been very, very right.

Now, Rich, who's the founder and CEO of Global Market Consultants, as you know if you listen to this podcast known for being bearish, but the recent pullback [inaudible 00:17:07] I really wanted to bring him back on to get his opinion, the economy, sectors, individual stocks. So it's going to be a great interview where we're going to cover a ton of topics and those sectors and stocks he's going to give you, and by the way, dozens we're going to talk about in that segment, dozens. So it's not just going to be long ideas, but Rich is going to share a few of his short ideas.

Then in my education segment, I'm going to break down the oil industry. Whoa. Prices fell 12 straight sessions. I believe that's a record. I've never seen that before, 12 straight sessions. Now trading near their yearly low. Bouncing back a little bit today, trading off \$56 a barrel, down from \$75 last month. Guys, that's a major, major move for oil. Now, it may seem like a great buying opportunity to come in, hop on some stocks that are down a lot, but before you buy any oil stock, guys, I mean this, just tune into this segment first because I'm going to save you a ton of money and also the chance to make you a lot of money, because there's something within the oil industry people are not talking about, and I know it is a buying opportunity for some stocks, and it's a huge selling opportunity for others. I'm going to tell you why and give you the list of stocks that are buys and sells. Please, if you have any investment in oil, you own oil stocks, listen to this segment. It's going to be very, very, very good.

Before I break down the oil industry, let's jump right into my interview with very good friend and favorite perma-bear, Rich Suttmeier.

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

Rich Suttmeier: Oh, thank you, Frank. I'm here and ready to rock and roll.

Frank Curzio: I know you're ready to rock and roll, because the last time I had you on was about three months ago and we actually took one of your recommendations, because what we started doing, we create a product called ... Basically, it's All-Star Portfolio. So what I realized is a lot of people weren't taking the ideas of our guests over the past 10 years, so we created a portfolio, and I know you said to short the semiconductors, and we did a ... We use your advice to ... I think it was at two times leverage, a bear ETF, and did very well. It was up 50%. I think we closed out around 15% or so, but you were dead on, and you were very cautious on the markets. Granted, I know you're cautious a lot on the markets, but you've been dead right over the past three months, which is why I'm bringing you on.

Now, I want to talk to you about a lot of things out there that maybe we hear about and individual investors may not understand, and one of those things is the unwinding of the Fed's balance sheet. This is something you've written about. You look at the numbers in the balance sheet of the Fed probably better than anyone and analyze it better than anyone I know in the industry. Talk about what that means for individual investors and why it's a big deal, and why that's still a major risk going forward because this is something, again, you've written about extensively on, and I want individual investors to understand exactly what this means.

Rich Suttmeier: Well, as you know, they started unwinding the balance sheet in October of last year, 2017, and it was \$4.5 trillion, and they were doing it for the first quarter at \$10 billion a month, and then each quarter increasing it by \$10 billion a month, and then October of this year they started at

the maximum \$50 billion a month, and then October the third, which was arguably the top of the market for this particular cycle, they drained \$18 billion in one day, and that's when the yields jumped on the 10-year note, and it just so happens that Fed Chair Powell make some bearish comments at the same time and that got the stock market and the bond market roll into the downside.

The market stabilized for much of the month after that because each Wednesday the Federal Reserve takes a snapshot of the balance sheet, and then they publish it after the close on Thursday, but a lot of times you don't see it on the website until Friday or over the weekend for whatever reason. So if it's bad, if they drained a lot, they don't want to show it to the market until the weekend. Well, anyhow. The next drain happened right at the end of the month on the 31st, and that drain was \$33 billion. So November we haven't seen any drain yet, and it's scheduled to be \$50 billion. That takes money out of the banking system, which is one of the reasons I've been bearish on banks. They're not going to get the kind of return that you're talking about, and if you're doing \$50 billion a month out of the market, it's going to last until 2020, and it's a reversal of the quantitative easing rally we had for, gosh-

Rich Suttmeier: [inaudible 00:22:01] ease in rally we had for gosh so many years.

Frank Curzio: Now we're seeing a ... The market is relatively weak, we've seen it actually crashing right, you can't even say a better word than that. You're seeing the global markets, global debt will get to in a minute. The global bubble in credit and things like that.

With the fed looking at this and not saying that the stock market is their indicator which is not supposed to be but just looking at what's going on and maybe seeing a slower growth profile, which I'm not saying that's there anyway

but what my point is, could they reverse this decision?

Could they say okay well we have to stop, we've just got to stop raising interest rate now and we are seeing inflation and things like that. I mean do you see them reversing at all because that seems like it would be a catalyst again. We know it's a short term catalyst and by short term it could be a couple years.

This needs to be done with all the credit they put into the market since credit crisis but could they slow this down and if they do what would trigger that decision and would that be actually a boost to stocks since it seems like it's a negative of what they are doing and they're going to continue to do and stay this course for a little bit.

Rich Suttmeier: You've got so, so many stocks that are in bear market territory, it's already a concern for investors who have a portfolio of brand names such as General Electric, IBM, I can go on a name a bunch of them. If you own those brand name stocks, you're already hurting and in your 401K or wherever you own them.

It's a situation that I believe Janet Yellen should have taken the funds rate up to 3% while she could have as the unemployment rate started to fall below 6.5%. That was her pledge to do and she didn't do it and she could have got it up to 3% without hurting things and you'd still have QE under the market helping.

Now you got both the unwinding of the balance sheet and the desire to get the funds right back to 3% and it's now 2.25% so what's that three more rate hikes, probably get on in December and then a couple in 2019. Then that can slow down then we can see if things can stabilize and the market can absorb the fact that \$50 billion a month is being taken out of the banking system.

Which I think is going to be a problem all the way to the election of 2020.

Frank Curzio: Now let's talk about the global markets because what I'm seeing here global inflation in Germany hit a 10 month high in a developed nation. You have China absolutely disaster right now no matter where you look. Home prices, consumer demand, construction, everything is falling especially since February.

Since this who tariff stuff and trade stuff. Japan's economy contracted, I believe it was last quart, again a lot of natural disasters and trade concerns and stuff like that. We're expecting 3% growth which is a little bit less than whatever 3.2 I believe, 1 point something the prior year last year.

What are your thoughts on what's going on because these economies are not great and it's okay, like I always say, people worry about the debt in the U.S. I said, "Listen it doesn't matter what the debt is in respect to the relative but as long as you're paying it on time it's fine."

If you're paying it on time and everything is cool, it's cool and you're growing, which we're doing in the U.S.

Rich Suttmeier: Okay, let's go over these, there's four categories of global debt, there's non-financial corporate debt and at the end of the third quarter that totaled \$68 trillion. 21 of that being the United States. Around the world you have, actually that's corporate debt, I meant the government debt is a different situation.

We're talking about corporate debt. What happens now there's so many corporations around the world that have borrowed in dollars and if you borrowed in dollars and your currency got smashed, well guess what? You're going to have to come up with more dollars to pay down that debt and that's going to be a problem.

That's number one, number two on the government debt that's 21 trillion in the United States but 63 trillion around the globe. Again, the currency part of it is a problem and

the conversion is thus a problem. In the financial sector which is all your mortgages and consumer and all these kind of debts, that totals \$58 trillion around the world.

In America I think that's like 16 trillion of that so household debt 44 trillion around the world of which 13 and change in the United States. There's going to be a lot of debt problems, they could happen quickly or they could be a slow bleed but we hiccupped on the Greece, on the Turkey situation and now there's an issue in Italy.

Now Brexit has been approved they maybe some debt situations evolving as that starts to be implemented. There's time bomb ticking in the debt world and the fed is raising rates and draining the economy of 50 billion a month and that's something the stock market cannot handle.

Frank Curzio: Let me ask you this because what we're seeing here and everything that you're talking about really revolves around the dollar. The dollar has gone higher, is this ... I don't want to simplify things, there's a lot of things underneath the structural issues but is this mostly the dollar is going higher and that's why we're seeing a lot of the markets come down.

Things again we're seeing little things pop up here and there and it kind of surprises us right now. Is this more in relation to the dollar where if the dollar does come down we could alleviate some of this or ... I mean obviously much more than that but you know it's no coincidence that the dollar has been rising pretty sharply and almost like at the same time everything has really been coming down.

Rich Suttmeier: The dollar index this week has had a multi-year high if not an all-time high. I didn't go back far enough to check on the charts versus the major currency. Not including the emerging market currencies but the obvious major ones

like the Euro, Canada and so forth, Swiss franc, I think there's five or six currencies in that basket.

The dollar is strong now the dollar is strong I think for a reason, it's the medium of exchange for trade. It's considered the safe currency so I think moving into the dollar could be more of a flight to safety than due to transactions. I mean gold hasn't been rallying, I don't think bit coin has been moving much.

Every time I see bit coin it's got a 6,000 handle. The market you would suspect to be flight to safeties aren't doing it. Sitting on dollars seems to be the play.

Frank Curzio: Let's get into gold because this is something that you wanted to talk about today as one of the topics, said Frank can we discuss gold a little bit. This is a sector I've followed for a long time, I don't know what moves it higher. I mean we've had inflation right now, we have, you can look at the CPI and say we don't.

We've had deflation every time over the past year since 2012, we've had flights of safety, we've had Brexit, we had Greece, we have all these things, even now there's so many reasons why gold should go higher and none of that has existed over the past what since 2012.

What is going to push gold higher and do we need gold prices to go higher for maybe gold stocks to go higher because gold prices are kind of flat over the past since 2013, yet gold stocks are still getting destroyed.

Rich Suttmeier: The Comet school futures have been trading flat for quite a while, back and forth around 200 weeks simple moving average which is 1,235 and that is kind of what I consider the reversion to the mean. Right now you can pick up gold shares near cycle lows or lowest for this year.

Barrick Gold for example, is off like 19% from its high. [Umana 00:30:47] which is trading around \$2.00 a share,

that's down 45%, Gold Corp is down 42% and Newmont Mining which is probably the best performer for the long term, that's down 25% from its high.

Yet GOMEX Gold is down 12% so whenever I see the gold stocks lagging gold by that much it's time to take a position in one of those four gold mining stocks. Again for a trade everything seems to be a trade in here, although if you have a significant drop, if you go into a bad market quickly like what happened in 1929, that was a miner called Home Stake Mine which is now part of ... I don't know whether it's Barrick or Newmont, I forget.

It's part of one of those two, and that was Home Stake Mines was one of the big gold mining stocks and that went up during the Great Depression of eight times then split eight for one and then up eight times again. At some point it becomes the value.

Now where the bit coin takes over from that I don't I'm not a big fan of bit coin at all, I don't understand all of this stuff about it, chains and all this other stuff. I'm an engineer by education but that's one area I have not taught myself.

Gold will become historic value if all else fails, now part of the selling could be from the emerging market countries. Moving the gold from vaults, the New York Fed ... down below by like seven stories below the ground is where every country has gold bars and those guys that come to work every day and move gold bars from one country to another.

Then they have to wash themselves, their hands and take a shower beforehand so all the gold that dripped off the bars gets entrapped in the showers. A lot of people don't know that story but it's true.

Frank Curzio: Just those gold stocks, Rich, when you look at them they do leverage themselves so much, those good times they

just went crazy but now selling off assets, improving the balance sheets, they're paying dividends, raising dividends some of these, some of the majors are in much, much position.

If this does turn and they can acquire, balance sheets are amazing so it is a good time, I definitely agree with you. Now I want to talk about something else, it's the dogs of the Dow. The dogs of the Dow, no really quick because I know this is something you talk about when you're on here when I interview you.

The dogs of the Dow if you look at the 10 worst performers of the Dow Jones, I'm going to say something which is kind of interesting because I think people would agree if you're looking at those 10, Caterpillar, Goldman Sachs, DuPont, IBM, Chevron, Exxon.

I'm really surprised, then you next have Cisco, 3-M, Proctor and Gamble, maybe a little bit of a surprise but one huge surprise that's on that list, at least for me was Home Depot. It's down 4% on the year and all those stocks are down in the year, what is your thoughts on this because a lot of these names have gotten killed and we know dogs of Dow is a great strategy.

Some of these names are trading at significant discounts to the market and are actually growing earnings. I mean is this a buying opportunity for some of these names?

Rich Suttmeier: Let me tell you that I look at the dogs of the Dow a little differently than the average analyst. My dogs of the Dow are not 10 stocks, they're eight, the beginning of the year I said well, GE is not going to be in the Dow for the whole year so I'm not going to include that even though it had a 4% dividend.

I do a lot of other looking, my dogs of the Dow are Chevron, IBM, Coca-Cola, Merck, Pfizer, Proctor and Gamble, Verizon and Exxon-Mobile. They're the ones that

qualified at the beginning of the year to be dogs of the Dow. Guess what the best performing stock in the Dow now is Merck, up 33%.

From its low up 41.7% and it set a high on Friday for the year, so did Coca-Cola, up 20% from its low. The biggest loser is IBM but you have five of these eight stocks in bull market territory from their early in the year lows. That includes Verizon and it includes Proctor and Gamble, Pfizer, Merck and Coca-Cola.

These are the part of the best performing stocks in the Dow, so if you look at that basket of eight, that basket of eight even with the Chevron, Exxon and IBM being drags it's outperforming the Dow over all. Not including the dividends, I don't know how many dividends have been paid by these companies over the course of this year but that's not something I focus on. I focus on picking the right dogs and then monitoring them.

Frank Curzio: Now when do you reset this list because now you said in January these are ones that you bought ... do you do it in January again and do it over, do you start ...

Rich Suttmeier: I'll do it January again, there's eight stocks to track as the dogs for the year, I don't have the dogs changing throughout the year. I say there are the stocks that qualify for the dogs of the year in 2019 and my choice when I started doing this was that there was only eight stocks that had, and this was a few years ago, when I started this.

I cover this on Forbes.com for anybody that's interested in checking all the reports I've done over probably four or five years covering the dogs of the Dow. That's one of the features that I put on forbes.com. The thing is at the beginning of the year one of the stipulations is to have a dividend yield of 3% or higher.

At the end of this year going into 2019, if there's on six stocks that have a dividend yield of 3% or higher, that's

going to be, the dogs of the Dow is going to be only six stocks in 2019. [crosstalk 00:37:52] if there's eight then I'm going to look at ... If there's more than eight I'm going to limit it to eight, look at my charts to say I don't think these are going to be good names for 2019.

Just like I did for GE in 2018, I said, "I ain't putting that stock in my" ... Because my story there is don't even look at it until it's now longer in the Dow. Now GE came out of the Dow you had to trade to the upside once it stabilized but then boom as soon as they cut the dividends I said, "A lot of institutions can't own it if it falls below 10."

That was a wave of selling and then with the dividends the only reason they kept it as a penny is there's a lot of other money managers that can't own a stock that doesn't pay a dividend. If they went to zero that would have been a whole bunch more selling of GE.

To have a dividend yield of a penny, that's a slap in the face so I didn't even write about it again because I didn't even have a value level for my model at which to buy it for a spec trade.

Frank Curzio: We have a few minutes left here, I want to get your overall thoughts on where we are now, I mean you throw the FANG stocks in there as well, you talked about listen a lot of these stocks are breaking down last time we were on. A lot of them are down tremendously, especially if you look at Facebook, even Netflix and stuff like that.

What's your thoughts on ... Is this like a rotation, do you think there's a lot more pain to come because even you and I know that you lean just a little bit towards bearish, right? Just a little bit.

Rich Suttmeier: I mean Apple from its annual high is down 18%, Amazon down a little more than 20%, that's in a bear market. Facebook 35% in a bear market, Google 19% almost in a bear market and Netflix down 30%. Notice one thing

that you see, they're core holdings in a lot portfolios and there's a lot of traders who own them.

They all have cult followings and they try to buy them on weakness and now it's turning out to be, oops I better sell them on strength too, so they become trading vehicles, not something you hold for the long term. I mean I wrote about Macy's this week, saying if it got above its 200-week moving average that it would be moving pretty well for the holiday season.

Then when I looked at it, it was actually on the year outperforming Amazon. That tells you that the holiday season could be that the retailers that have a presence at the mall are anticipated to do well this year because people have a little more money in their pocket and they may want to walk around the mall to shop.

Frank Curzio: Yeah, good point, I mean departments stores are supposed to be completely dead instead of just like the rent a car this year is supposed to be completely dead but for investors it's not the industry's dead. They're used to being dead in a slowdown and adapting to the markets, just like Amazon is adapting to the markets where they're not all online, they're actually opening big box retailers.

You had Best Buy that learned how to adapt so when you adapt like Macy's you could do very well. It's not the whole industry is dead it's definitely slowing but sometimes it offers an opportunity. Now, after midterm elections in terms of the markets what are thoughts maybe going into the end of the year, the next six months or so.

Are you remaining cautious or are you starting to pick away at some of the things that you're seeing down 20, 25%?

Rich Suttmeier: There's always going to be trading opportunities and I'll see them and the main thing I look at when I profile stock is looking at the earnings and then looking at the charts.

They have earnings due and try to handicap whether they're going to go up or down, going into earnings and then after they come out after earnings.

Take a look at it, for example today I wrote about JC Penney it's trading at a 20 year low, the stock. Holding desperately onto a dollar a share, when they reported their results back in the middle of August it broke below a key level on my chart, I think it was around \$2.35 and boom it just kept going lower.

Yet, it's probably going to try to have a good mall season and if they report more store closings or ... It's a do or die situation for JC Penney okay and I think the holiday season is going to be good enough to hold it in there in terms of having different store setups.

To make it look better more to the eye when you walk around and they are having a little bit more success on the online part of their business.

Frank Curzio: Mr. Sinclair, so you mentioned two of my biggest mistakes which is JC Penney which we stepped out of and also GE [inaudible 00:43:21].

Rich Suttmeier: I have an annual value level on JC Penny at 97 cents a share and it traded a buck and a quarter at today's low, around that point. I'll say as long as it holds a dollar a share after they report earnings it's looks like it will have a successful holiday move up. Maybe it gets back up to the \$2.35.

Frank Curzio: It definitely makes sense so very interesting even at these levels because we kind of through in a towel with that one.

Rich Suttmeier: There's always a trade that you can have, when you put a symbol into the model. There's always a value level at which to buy on weakness. There's always a risky level at which to sell on strength. The problem that investors have is that, when a stock is going to its low, they get scared,

and they don't want to buy it where they should. When it's going up, they're worried about they're missing, so they wind up buying at the high. It's called getting whipsawed.

I like to accumulate going down. Maybe there's four prices to accumulate, 25%, 25%, 25%, 25%. Now that you're at 100%. If that goes up, then you sell off at the risky levels. You follow?

Frank Curzio: No, it definitely makes sense. We just covered tons of stocks, tons of information, trading, economy, all kinds of sectors, everything, dogs of the Dow. A lot of names, guys. Hopefully, you're writing down a lot of these things, and starting to do your research as well. But Rich, if people want more information, because I know you write so many different places out there, how can they find you? How do you find more information about you?

Rich Suttmeier: Well, I mentioned Forbes. I'm a contributor at Forbes. I'm a contributor at Seeking Alpha. I'm a contributor at Investopedia. I do some stuff on The Maven. And then there's probably some secondary ones that after five days pick up some of the reports where they're allowed to, in other words, retransmit to their audience after a five day period.

The best way is find me on Facebook. Find me on Twitter. Find me on LinkedIn. I'm on all the social media sites, and that's where everything gets pushed around.

Frank Curzio: Well that sounds great Rich. Listen, I always appreciate you coming on. You always give us opinions that are not popular, which is cool, but it makes us think. It makes us go out there. Your call over the past three, six months had been dead on with these markets. I think my investors really appreciate it, for those who took some money off the table.

Thank you so much for coming on, and hopefully you'll join us again real soon, all right bud.

Rich Suttmeier: Yep. Have a great Thanksgiving Frank.

Frank Curzio: You too man. I'll talk to you soon.

Rich Suttmeier: Right. Bye-bye.

Frank Curzio: Hey guys, great stuff from Rich. I love having him on. There's a lot of ideas we shared there. Now you know why I love bringing on people who have different opinions. People have gold podcasts, they're only going to bring on people who love gold. If they have cryptocurrency, only people who love cryptocurrency. With me, I love talking to people who have different opinions, and analyzing it, and not getting into arguments with them, but just learning.

Rich is a guy that's been bearish on the markets, but always gave you tons of facts why. Now that this happened, again, he's been bearish for a long time. The market's gone up a long time, but he's the guy that you want to talk to when we're in these conditions where it's extremely volatile. I thought he gave some really great advice, some really great trading opportunities. Dogs of the Dow, I thought was awesome, an awesome segment. Telling you about the Fed and the balance sheet again, he's brilliant when it comes to things like that.

Overall, I love talking to Rich. I thought it was a great interview. Let me know what you thought. This podcast is about you, not about me. Let me know what you thought, frank@curzioresearch.com, that's frank@curzioresearch.com.

Now, let's get to my educational segment. Getting tons of questions on oil. Should we be buying here? It's a big selloff, what's going on? Look, Rich mentioned two stocks, that I said that I'd been wrong on, which you guys know, which is JC Penney and GE. Can't win them all. Both of those portfolios are still outperforming the markets, and we've had a lot of winners over the past year or two, but again, I like to cover my losers more than winners.

I'm saying that because I'm going to talk about oil in a very good way, because that's one of the markets where I think people have a lot of trouble, where you see professionals doing it for 20, 30 years, have been wrong and blew up their funds. But oil is just one of the things that I get.

If I'm playing Texas Hold 'em against someone, I don't care if you're experienced or not, if the guy just has my number, I stay away. In this, when it comes to oil, I'm able to just see the market a lot better. It's one of the things that, over the past six or seven years, in major trends in oil, and stuff like that, I've been right. I'm not always right on the stock picks all the time. I'm going to tell you why I wasn't right on the stock picks, and you're going to learn from me.

This is going to be a very interesting segment. When you look at oil, this is a sector that I predicted was going to crash tremendously, 2015, and it already was down to \$7 a barrel from over \$100. I said, guys there's stocks, and things that you got to worry about, if you own any stock in your portfolio, sell it. Oil came all the way down to 28, and a lot of companies went bankrupt. A lot of industries got crushed, and then we were around 30, 35.

I said, "Guys, look." And I actually wrote about it in my newsletter at 40, and said "Oil prices are going to go a lot higher right now. It's going to go well over 60, and this is the demand, they could shut down the oil wells right away if it goes below 40." And that's what they were doing. Taking, I think we're up to 10 million barrels of production in 2017, and then it went all the way down to 9 million, because they took a lot of supply off the market. And that really helped prices going higher.

Now, where are we now? Because this is an extremely dangerous sector. So, we're currently producing, in America, over 11 million barrels of oil per day. Put that in

perspective, it's a record. By next year, this is going to rise to well over 12 million barrels a day. Put this in perspective again, and we're producing more oil than Russia. Russia is reporting a record 11.4 million. So we're going to be producing more oil than Russia, and more oil than Saudi Arabia. Which was unheard of about seven or eight years ago.

But having great contacts in the industry, visiting every major shale area, and talking to some of these people, this is something that we were able to predict, or I told you about a long time ago. Saying we could beat Saudi Arabia for oil, we're going to be producing like crazy. People laughed at me back then. Yeah, cover my losers, but I'm going to give myself a little pat on the back for that one.

Now, when you're looking at the whole entire market, because you have a major slowdown taking place in China. Europe not really growing. Overall, global growth's around three percent in 2017, which I mentioned with Rich before, but there's not a ton of demand to the point where we should be going crazy, and just producing massive amounts, record amount supply. Because that demand is not going to be able to take the supply off the market.

So that begs a question. Why are most oil companies increasing production even though you're seeing demand fall? Again, we're at 11 million barrels of oil today, it's going to go to 12 million early next year, and probably about six months from now. Not to mention, in June, OPEC decided, after years of cutting production, that they increase their production by one million barrels a day. That was in June. So you're seeing not just us, but Russia reporting records, Saudi Arabia flooding the markets, and we're producing, going all in. And you're saying, why? Why do they keep producing? Oil prices are coming down. Why is that going to go high?

The answer is hedges. Because now nearly 50% of 2019

US oil production is hedged, and it's hedged at an average price of 57. Now, what are hedges? Hedges are just locking in the price of oil, which a lot of companies like doing. Even producers like doing, obviously they're doing right now because they've seen the fluctuation over the past three, four years in oil, and they say "Okay, we know by locking in at 57, we can produce it at 40, 45, we're guaranteed a profit."

The companies that hedged fell. So even when I predicted oil was going to go higher, the stock picks that I picked didn't do as well, because some of them were hedged, which I realize. I realize from my mistakes. So if oil prices go higher, these guys aren't benefiting, because a lot of their production is hedged. So what you saw is oil prices going higher, a lot of these stocks didn't do well, didn't follow oil prices.

Now, the reverse is happening. We're seeing oil prices come down, and the companies that are hedged will thank Jesus. So since they have 2018 production hedge, we're almost over, but 50% of 2019 oil production hedge, and at the end of the first quarter, so this was reported in June, 14 shale companies had hedged against 100 million barrels of oil, and that's with their 2019 production. Okay, that's just in West Texas. 100 million barrels. That compared to just 40 million that were hedged in the previous quarter.

And it gets even better, because these permeate oil producers increased their 2020 hedges by more than fivefold. So again, what does this mean? When you're looking at hedge companies, they're hedging their production lock and amend. Like it makes sense for a company like Walmart to do that, right, they have transportation costs. This way, they're not worried about "Wow, look how much we pay ... We're paying \$4 in oil, now we're paying \$70. Holy Cow, green spot prices. So when you lock it in, it's easy to run your business.

It's almost like crypto. These guys didn't lock in the money that they raised by putting it into dollars. They kept it in crypto, and it fell 60, 70%. They raised 10 million, it's now three million, because you raised that money in crypto and you kept it there. You didn't raise it and put in dollars, which you still have, whatever, 10 million on the market right now. And you're just spending your company.

That's how you look at it even with Walmart. It's easier when you don't have these fluctuations of prices when you're hedging your production. Even airlines do it. You know, big transportation companies, everybody.

So if you look at the companies, guys, and by the way, this is really detailed research that I could probably charge a lot of money for. I'm giving it away for free. Because again, I believe in giving away for free, and a lot of people subscribe to my stuff because our research in our newsletters is so much better. But you can see the type of research that we do.

Now, you're looking at Devon, Mobile Energy, two of the most hedged companies, the one with Occidental, which means they're going to continue to produce like crazy. Because they are a hedge, and they're hedged with their production, and they don't care if oil prices go lower, because most of their production's head. So you continue to produce, produce, produce, and you continue to make money. When those hedges come off, then you're in trouble. But they're hedged through 2019, and some of them into 2020.

SM Energy and Denbury, also largely hedged. Denbury, about 60, 70% of their production hedged, and that's around \$60. Contra Resources, Energy, also hedged into 2020. So these companies are going to continue to produce profits even if all declines.

So if you see these stocks going higher, and you're seeing that they're making more money, it's because they're hedged. And even if oil prices go lower, you're going to be like wow, how are these companies doing well? It's because of the hedges.

On the other hand, Anadarko, EOG, Continental, not as hedged, if hedged at all. So these names are big, big winners as the price of oil went higher, rose to \$70 a barrel. You're un-hedged; you're going to take advantage of that higher price. But happens, what you just saw? Oil prices falling to \$55 a barrel. They're just \$56 a barrel today. And these are companies that will get smoked if oil prices continue to slide.

And now, to hedge ... If you want to decide to hedge now, it's going to be a lot lower. Where you could have hedged for \$60, \$57, maybe you have to hedge at \$45 now, \$47. Which, some companies are permeate, that's fine, they can produce. But I've got to tell you, most companies cannot make big profits at \$45 oil. Some of them are going to brag and say "Well, we can produce at \$17 and \$20."

Yeah, that's like a few wells in the middle of a four county area, which I visited, in the permeate. Which, by the way, these guys had to pay like \$300 thousand an acre. Well, maybe more like \$150, \$200 thousand. Some of them at \$250 thousand, even more than that. So you paid a fortune, you leveraged your balance sheet, and now you're producing at lower prices, which is a good thing, but you paid a fortune. It's like buying real estate in New York.

So, when you're looking at these companies, Anadarko, EOG, Continental, and you have to be very, very careful. You can't just go in and say "Wow, all these oil companies are down. I'm going to buy." Because prices could come down, and you're still going to see all the stocks go higher, because their profits are going to go higher, a lot higher. Because they're hedged, and they can produce. And they

looked like idiots a month and a half ago, and now they look like geniuses, a lot of these guys that produced ... Ah, that hedged.

And they hedged because why? What do we see? Just like we saw in the 2000 tech bubble. There's a reason why you're looking at all these technology companies, and they have fortress balance sheets. Because they didn't have that, and they almost went out of business in 2000. They've been through that period, like Holy Cow, when things get bad, they really get bad. And instead of us being leveraged to the max, when things get bad, let's have a leveraged balance sheet, just show them a balance sheet so we can buy a lot of great companies that just didn't know anything about operations. They're almost going out of business, so we can buy their technology now for nothing.

So when you're looking at oil companies, just be very, very careful. The names that are not hedged, you're going to see cash flow come down tremendously. Again, I made this mistake in the past, when I was looking to buy oil stocks, and I was dead right on my forecast for prices, but I did pick one or two that were wrong, and one or two that were dead on, that we've done incredible on.

But you have to look at what companies are hedged. You can probably do a simple Google search, there's a lot of companies out there that will tell you how much they're hedged. Some of them will get a little more complicated. You go the actual company's ... Just go to their website. Look at their presentation. The companies that are hedged, see how much the hedge see is at 70, 80% of production. Hedge is \$60, that's really good. Because if oil prices come down, these guys are going to continue to make tons of money.

Again, through 2019, even into 2020. And if they're not hedged, be very careful, because these are companies that may look to hedge some of their production. But if they're

not hedged, and prices keep coming down, you're going to see these things fall like crazy, and that brings debt back into play.

Which a lot of these companies restructured. It was horrible two, three years ago, a lot of these companies restructured out like two, three years, but that's okay. When you're generating cash flow, you're generating money, you're able to pay off your debt. You still got to make those interest payments, but if you're not hedged and oil falls below \$45, and your average cost of production to make money is 47, you can't really produce any more oil anymore. You're not hedged.

So how do you generate money to pay off your debt? You've got to look at the balance sheet. Yeah, there's a lot of moving parts here, guys, but look at the hedged, the amount of production that's hedged for these companies. The companies that are hedged are going to do well if oil prices continue to go down, which they will. Because these guys that are hedged are going to continue to produce like crazy. That's why production is going through the roof.

And you also have OPEC, which may decide that, you know what? We're not going to cut production. We're sick of cutting production. We're going to leave it as is. So you're going to see a flood of more oil coming to the market. And you see the global economy that's really not that strong right now. Yeah, we're doing good in the US, but outside the US, there's not so many places that are doing well. So if you're not going to be able to take all the supply off the market, you're probably going to see prices go a lot lower. But the companies that are hedged should not only hold up, but they'll probably go higher, and the ones that aren't are probably going to get smoked.

So be very, very, very careful. There's a lot of names that I covered there, you know, just ... Also lots of names that are dangerous. You know, you look at Chesapeake, as well,

one of the names that was red-flagged for me. And there was like three or four or five other names, and maybe I'll provide that list to everybody else. More smaller names that are really highly leveraged, and lower oil prices again, are really going to crush these companies, and those are the ones you want to be careful of.

So, a lot of stocks in this podcast. A lot of information. I just wanted to give you the story on oil, because everyone's like "Should you buy? Should you not buy stocks?" Guys. It all matters about the hedges. And it's not difficult to find. Go on Google, go on the websites before you buy oil stocks. And if you have oil stocks in your portfolio, please see how much they're hedged. If they're not hedged, their next quarter is going to be a nightmare, and the quarter after is going to be a nightmare. Especially as oil prices continue to go lower, because there's just so much supply coming on the market from the guys that are hedged.

Okay, so keep those emails coming in. I've been talking about our security token offering. We're looking to raise money for our company. Getting to the final stages here, talking to lawyers, and everything looks incredible. We're getting amazing feedback. This is going to be available to credit investors where we're looking to raise money and really put us on the map, where we can compete with a lot of the big boys in our space, something I'm very, very excited about, because we're growing.

It's a lot of fun right now, we have a lot of people who want to come work for us, and I want to put great analysts and people in front of you. A lot of people I interview are also interested. And that all happens as the STO happens, which is just fantastic. So, it's a market that I'm super excited about. I've worked on a ton ... I've worked tremendously on it, where that's the whole crook, the market's going to turn to security tokens. Just look at the news, guys. It's amazing.

NASDAC's going to be launching an exchange, coin basis, going to be trading STO's. So STOs are different from ICOs. So these security tokens, you're going to get equity stakes in them, they're going to pay you dividends. It's going to be similar to a stock, except your liquidity period, especially for companies that aren't public, is going to be a year from now. That's when, if you're raising money, a credit investor, you can go trading in the US a year from now when your token is launched, compared to raising money in the private placement, not public, and the only way you can get your money out of liquidity event, pretty much the only way, is if you were acquired by somebody larger, or if we IPO, net average time period is seven to 10 years.

So in our STO, we're going to be offering a dividend. You're going to actually get an equity stake in our company, in Curzio Research, which is amazing. So you're not just buying a newsletter from another firm, you'll actually have equity stake in what we're doing in our growth, and you're going to participate in it. And we're almost there to launch all the details.

So, if you're interested, if you're a credit investor, please email us frank@curzioresearch.com. That's frank@curzioresearch.com. No obligation or anything, but we're sending out updates on what we're doing, the progress that we're making. We're also sending out some really interesting stories of why, you'll see in a second, on how incredible this market is, and the massive, massive potential it has to really disrupt the entire financial landscape, in something again, I'm basing my company and my reputation on. That's how much I believe in this. And here's your chance to really get onboard. And not just buy our newsletters, but actually participate and have equity in our company.

And it's a really investor-friendly deal. And I'm looking to hear from all of you and get your opinions on it. But

we're pretty close, and I think next month we're probably going to be able to launch this thing, and we're very, very excited. I'm getting a lot of good feedback from my closest friends and deal makers and hedge fund managers, and stuff like that, that have taken a look at it.

So we're almost there. Just want to give you an update. Again, if you're interested, frank@curzioresearch.com. So you guys, that's it for me. Thanks so much for listening. I'll see you in seven days. Take care.

Announcer:

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