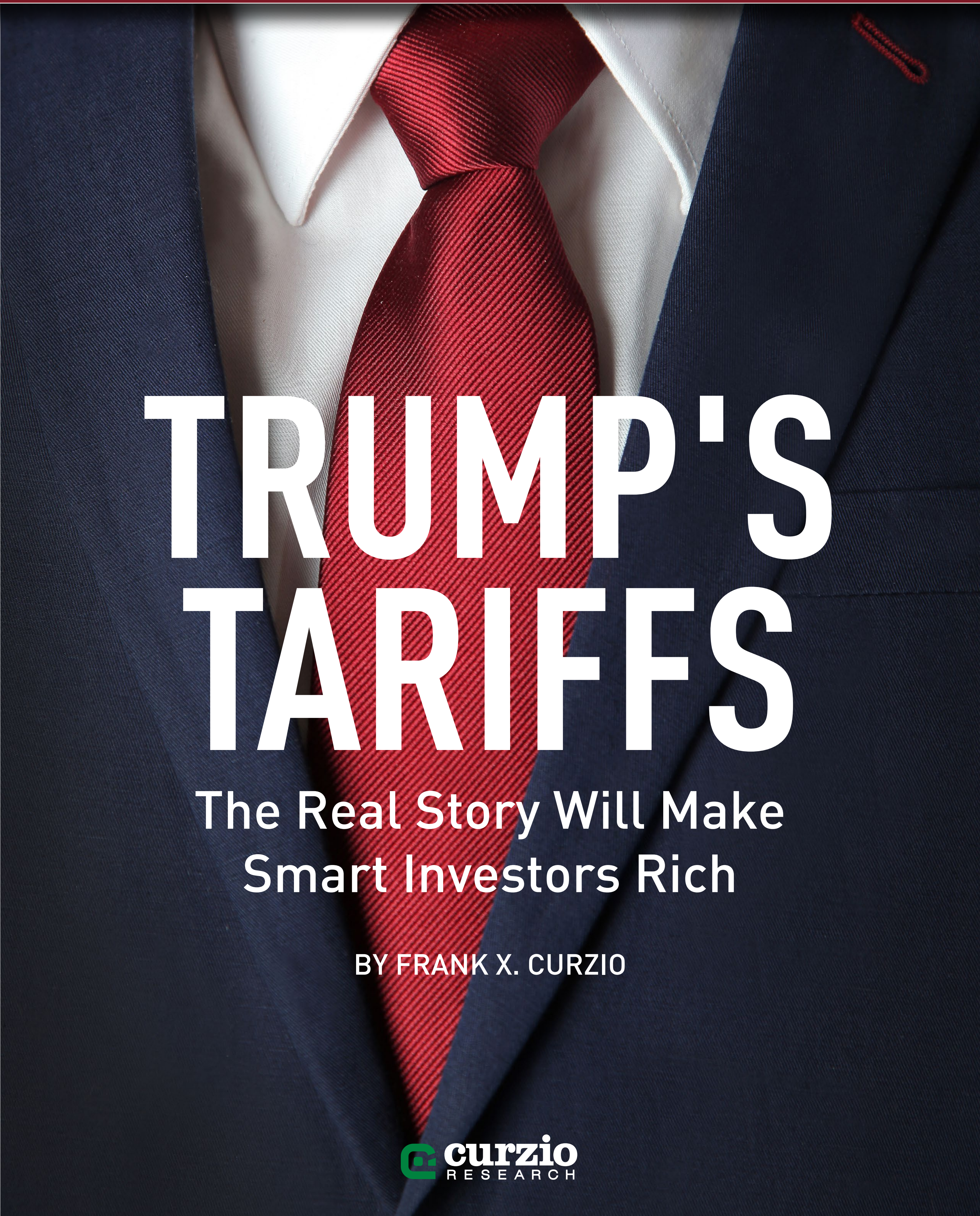
SPECIAL REPORT



TRUMP'S TARIFFS

The Real Story Will Make Smart Investors Rich

BY FRANK X. CURZIO

curzio RESEARCH

TRUMP'S TARIFFS:

The real story will make smart investors rich...

By Frank X. Curzio

Hi, Frank Curzio here.

And I've got a story you won't read about anywhere else...

If you're new to my work, and not used to my manner of thinking and speaking, please send the kids to their rooms and hide this material from anyone who's easily offended.

I pride myself on bringing you a different brand of investment analysis...

The kind that doesn't run with the herd.

The kind that doesn't follow the popular sentiment.

The kind that often doesn't make me popular amongst my peers but ends up as chilled champagne with surf and turf on the side once it's time to tally up the ROI.

So get ready.

Today, I'm going to flush mainstream financial media garbage down the toilet and tell you precisely why President Trump's proposed steel tariffs will be *great for the economy* and, most importantly, for your investment portfolio.

The first crucial concept for you to understand is a bit counterintuitive...

Sell page 1, buy page 16

If you're new to *Wall Street Unplugged*, you're going to hear the following concept a lot.

- "Page 16" alludes to the story that isn't on everyone's mind... yet.
- "Page 1" is the efficient market. The thing everyone knows about already.

If you're trying to invest or trade on Page 1 news, you will almost always lose.

IN THIS REPORT:

- A brief history of global trade
- The story beyond the headlines
- Why tariffs WON'T equal higher prices
- How to take advantage of new tariff policies

The reason is simple.

The investment world is where the best, brightest, Type-A personalities duke it out. These guys hardly sleep, have decades of experience, have the most sophisticated technology at their fingertips, and enjoy armies of Ivy League grad grunts digging up obscure data for them.

You can't beat these guys. But what you can do is understand the underlying drivers of the market and use that obscure bit of info, the one nobody's talking about…

Or better yet…

The one everyone's wrong about… **to make a splash for some cash.**

It's this "Page 16" stuff where all the smartest investors make their biggest gains.

Today, I'm taking a completely misinterpreted and miscalculated analysis by the mass media and shining a light on how the savviest investors will make a killing from it… while most people are stuck arguing about something unimportant with their friends on Facebook.

Think of it this way:

Mainstream financial news and media are like the guys on SportsCenter.

They will tell you about who won last night's game and who scored the most points.

But as an investor, you should be less concerned about what established superstars are doing…

And more focused on who's going to be that next big shining star… or the kid nobody's heard of yet practicing his golf swing sunup to sundown.

This concept leads us into "Trump's Trade Wars."

They're only 95% of the financial news lately, and all the gloom-and-doom types are coming out of the woodwork, as you would expect. What is surprising for a pro like me, however, is how many "free market" types are gung ho *against* Trump's proposed tariffs.

Obviously, they have an agenda we'll touch upon in just a second, but there's another explanation. A far simpler and more accurate one.

Many of the people in question are academic and analytical types.

That's why I liken them to sports announcers.

As all *Wall Street Unplugged* listeners know, I love the Philadelphia Eagles.

From collecting the old starting lineup dolls as a kid… to watching my Eagles win the Super Bowl for the first time (live in the flesh in Minnesota!) in February 2018.

I love the NFL. I can talk about it all day.

But you know what?

I've never felt the pass rush like Tom Brady… or had to go toe-to-toe versus a tactical genius in real time like Coach Doug Pederson did against Bill Belichick. I may love football, but I'm not an expert.

That's the thing you have to constantly remind yourself about the media.

They're like sports announcers. Most have never suited up and played the game at the highest levels. All they know is theory and what they've personally watched happen before.

That's why the financial world's equivalent of sports announcers always miss that key data…

That "Page 16" material, if you will.

Think about that as we move ahead.

A brief history of global trade

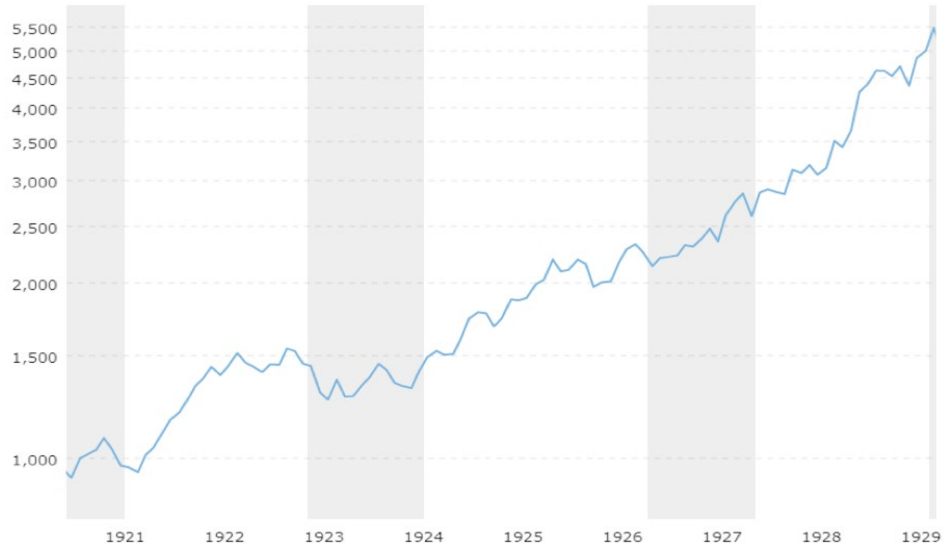
Major integrated global trade has been around for over 100 years.

The late 1800s, known as the Gilded Age, set the framework for the modern industrial investment environment.

Then came World War I (1914-1918)—a huge technological and industrial driver. The U.S. and other countries saw unprecedented market growth for over a decade.

It ended on "Black Tuesday," October 29, 1929.

**Dow Jones Performance from WWI (1914)
To the Great Depression (1929)**



Source: Macrotrends.net

The Great Depression began soon after, drying up international trade.

To sum up a long story…

Nearly every major industrial nation on Earth turned to tariffs and economic protectionism. And it was an unmitigated disaster.

Protectionism led to dictatorships… which led to military advances. Resource-poor countries, like Germany and Japan, attacked more resource-rich (but militarily weaker) neighbors, like Poland, France, and China.

This led to another world war.

In 1947 (a few years after World War II ended), 23 nations (spearheaded by the U.S., U.K., and Canada) created GATT (General Agreement on Trade and Tariffs). It was the first major free trade agreement.

The agreement had two goals in mind:

- Increase cooperative free trade amongst nations
- Disincentivize violence by preventing a plunge in global trade

GATT was refined over the decades and eventually became the World Trade Organization

(WTO), which has over 160 members today. These members all do business outside of their borders and contribute in this way to global peace and prosperity.

But inside the WTO is a little-known provision that allows the president of the United States to impose tariffs on exports and imports.

It's called Section 232. According to this provision, the U.S. effectively built in a message to all future POTUS. It basically says...

Here's an escape clause if this deal ever gets rotten.

Whenever you see something like this in the fine print section of any contract, you should know it was put there for a very special reason...

Section 232 effectively states:

"If cheaper imports result in lower employment and a decrease in government revenue, the importing country can impose high tariffs on those products."

In the U.S., the president can impose these tariffs when he chooses.

And that's what Trump did. On March 8, 2018, he imposed a 25% tariff on imported steel and a 10% tariff on imported aluminum from China. Then, on March 22, 2018, he imposed 25% tariffs on a basket of Chinese imports, worth roughly $60 billion.

You see, the rest of the world has something called VAT (value added tax).

If you export to Canada, you'll incur taxes of 11-15% at its border. China's VAT is 17%, Germany's is 19%, Mexico's is 16%, Russia's is 18%, and the U.K.'s is 20%.

But there's no tax on your goods at the U.S. border. That means it's 10-20% cheaper to get your products to the U.S. consumer than anywhere else.

This has made the U.S. the global dumpster for unwanted excess products.

These are called "taxes," but in reality they're just tariffs. So, the idea that the U.S. is going to lose something by having one of its own is foolish. That's just your typical dumb "Page 1" logic.

When foreign goods hit the U.K.'s border, for example, they get 20% at-the-border costs added on before entering. There's nothing like that in the U.S.

It's why we have such cheap flat screen television sets... and so many people teetering on the edge of broke… buying them on nearly maxed-out credit cards… trying to keep up with the Joneses.

It's also why all the excess steel that can't be sold off comes here.

That's called dumping.

It's the same for lots of other foreign-made goods.

So not only do we get a ton of cheap junk, we get the cheap junk that's already been rejected by the U.K., Germany, Canada, and so forth.

Are you starting to realize why your kid's toys are breaking faster and your USB cords are short-circuiting like never before?

But since these trade competitors depend on our dollars, they can't simply "go elsewhere." We're the biggest market, and the notion that the competition will simply "find new markets" is a practical fantasy—much like "free markets."

The story beyond the headlines

The president of the United States doesn't need the approval of Congress, or his party, or anybody else to impose these tariffs.

So, Trump is perfectly within his legal rights to impose tariffs. And since he clearly doesn't care what the Republicans or Democrats think, he's going ahead with his pre-election promise.

Why?

Let me demystify the situation.

I want you remove political partisanship for a moment and think about the situation like hardened business people and pure value analysts.

This is what Trump is at the core, after all.

Everything reported on this subject has been emotionalized and twisted.

Nine out of 10 people, liberal and conservative alike, think these tariffs are a bad idea… but the majority of those people are thinking with their hearts and the theories they learned in economics.

The harsh reality of international trade does not afford investors—those who aim to be profitable, at least—the luxury of emotional and theoretical fervor.

We have to be calculating and cold.

The reality is that Section 232 was put into place for a good reason... by people who lived through the horrors of the Great Depression and World War II.

As the ultimate victor of WWII, the United States earned the privilege of having the upper hand in all international trade relations. If you can't handle that, move right along.

It would be irresponsible and incredibly weak for an American president NOT to use this to his advantage.

Let me explain with an analogy.

Say you own a U.S.-based company that makes engine parts. You happen to have a signature product that sells for $100. Business is booming, you're making lots of money, hiring lots of people, everything's great, and everyone's happy.

But then one day someone buys your product and decides to steal your proprietary technology—technology you spent lots of time and money developing.

Then this person decides to produce the same exact product as yours for a lot less money. They can do this because they don't care about paying their employees well like you. On top of that, they're going to sell the exact same product back to your customer base for $70.

They can now buy the same product at a $30 discount from your competitor. Obviously, every one of your customers will fly the coop.

Your employees, one by one, will lose everything: first benefits, then bonuses, then full-time employee status and work hours, then insurance, then their job itself.

You'll go from being a successful business person and a pillar of the community to a pauper, until you eventually either give away your business, sell it for peanuts, or go bankrupt.

How would you react if you were this hypothetical business owner?

This is the story of American manufacturing over the past half-century.

Which begs the real questions that nobody seems willing to ask...

- Why has every POTUS since Nixon (and far more aggressively since Clinton) supported this state of affairs?

- And why did they allow Chinese bootleggers and counterfeiters (perhaps not politically correct, but certainly accurate) to effectively racketeer American companies out of commission?

I won't get into my personal opinion on the subject, but if you listen to *Wall Street Unplugged* every week (sign up here), you already know how much this pisses me off.

Now textbook logic would have you thinking…

Hey Curzio, this is capitalism! Competition leads to lower prices… and lower prices are a benefit to consumers!

Yeah, I get it. And I'm about as hardcore a capitalist as you'll meet in your life. But I've also been in these markets at the ground floor, in the trenches, for over 20 years. And here's what I've learned…

Rule No. 1

Demand cannot exist without income.

People who don't have jobs—and don't have hope—are not going to be satiated with a cheaper, bigger television set. Again, a lot of what people are saying on this subject is purely tied to ideology and groupthink. Not reality.

Rule No. 2

All cheaters are the same in one way: If you let them cheat once, they will cheat you again.

If you let people steal from you or, worse yet, rob you blind… they're liable to inflict greater and more heinous crimes upon you as time goes on.

I know this isn't the kind of polite "Page 1" analysis you get from most Wall Street outlets.

So, please, allow me to pull you back off the ledge and buy you a beer, coffee, tea, whatever you like… and present a more profitable prism for you to view this through.

Imagine there was no POTUS.

Imagine that if there were, he or she was just a faceless lever-puller. Not a Democrat, not a Republican, not an anti-establishment free market guy like Ross Perot was a quarter century ago. Not a command economy statist like Bernie Sanders today.

Imagine you had ZERO FEELINGS about the man or woman occupying the White House. Now think about the following as a rational, dispassionate, only-profits-matter investor.

China makes some of the world's cheapest steel.

It can produce it at a steep discount to its competitors, largely because the country all but enslaves its work force. It will then dump this steel in other countries, including the U.S., and undercut every domestic producer operating inside those countries.

You can see the massive increase in China's steel exports in the chart below. It's no coincidence steel exports started falling in mid-2016. That was during the home stretch of the presidential campaign, when Trump was calling out China for unfair trade practices.

In short, Trump shined a gigantic spotlight on China. And it tried to reduce steel exports to save face. But the evidence was now in plain sight for everyone to see.

But the media was more focused on bashing Trump than telling you the facts. That's fine… when you finish this report, you'll have them.

China continued to dump cheap steel on the markets. Albeit at a slower rate, but it's still killing our domestic steel producers.

Our steel production facilities were running at around 75% capacity in 2018. But if we look at some of the individual companies, it's much worse. Smaller producers were *running below 50% capacity*.

Since China has absolutely ZERO INCENTIVE to stop this policy, it's reasonable to expect that U.S. steel production capacity will continue to fall. Eventually, millions of steel employees will be out of work.

No matter how you feel about the markets, I shouldn't have to convince you that America needs its own steel to produce cars… build bridges… and construct buildings.

If I do need to convince you, you need to understand power and leverage.

If you get to a point where you're producing steel at 30% capacity and you need that other 70% fulfilled by a foreign nation… that nation WILL ABSOLUTELY raise prices. You'll end up paying a hefty premium OR going back to building mud huts and riding in carriages.

We're now entering the gray areas of power and authority. Areas that most humans in first-world societies don't like to think about.

We're taught to be polite. When we see violence in our communities, we call the police out of respect for the rule of law…

But that's not the world.

The world is a place where the thirst for blood and power and money too often rules. Most adults don't want to talk about this publicly… but most sure as hell understand it.

Look at what happened when the U.S. shut down domestic energy exploration and fundamentally made OPEC the world's de facto oil governing body.

Everything from the Munich Olympics attack to 9/11 and the rash of state-sponsored terrorism we've seen since can be attributed to the U.S. willingly choosing to cede power to OPEC.

Not the least bit ironic… in lockstep with the U.S. shale boom and the advancements made in hydraulic fracking technology, we've seen formerly rogue Islamist states, once powered by OPEC, begin to calm their rhetoric. They've begun to engage the U.S. and other first-world nations in more peaceful talks.

If it seems I'm veering off course, bear with me. It's important for you to understand this is one big jigsaw puzzle that will not conform to economic theories and straight-line logic.

Some of it is just plain schoolyard bully stuff… which can happen more often than we'd like to admit when dealing with communists, monarchs, and secret police state guys.

Ever since the U.S. began to wean itself off OPEC's teat, the economy has seen rapid structural improvements. Millions of new jobs have been created… and tens of thousands more will be in coming years.

This is all without getting into how much end users have benefitted in terms of pricing power… and how much investors have profited, and will continue to, from the market.

This is why *states are wise to be protective of their natural resources and commodities…* And perhaps the most valuable of these resources are your workers.

Switching gears again…

Another great example is Kazakhstan, which controls 40% of the world's uranium market.

Most people don't know a whole lot about the subject because uranium is not an everyday household concern.

But… *the U.S. is the world's #1 consumer of uranium.*

Uranium is a great form of energy and WILL (whether you like it or not) figure more centrally into the mass energy production of the 21st century. Uranium is dependent on steel for proper utilization. And it's not just uranium.

You want to produce aluminum? You need steel.

You want to harness solar energy? You need steel.

You want to deal with just about anything robotic or utilizing advanced tech? You need steel.

Most of the folks screaming "get off fossil fuels now" need higher-capacity American steel production to get what they want.

Conversely, the people screaming "capitalism is the way" also need higher-capacity American steel production to get what they want.

Steel, in and of itself, is just a tiny part of the overall economy.

But it's a huge input into a significant number of processes which profoundly affect many, many aspects of our lives.

Again, let's put politics and personal beliefs aside. Remember, there's no POTUS in this scenario.

Here are some interesting facts for your consideration.

The truth about tariffs

China has the world's MOST RESTRICTIVE inbound foreign direct investment policy on Earth.

This means that if you're a U.S. (or any other country) manufacturer, it can take years to open a plant in China. If you're an oil driller, see what happens when you apply for a permit with the Chinese government.

It's not a pretty picture.

Meanwhile, the Chinese have spent the better part of the last decade (literally) stealing and copying the technologies and intellectual property of American companies. In some cases, this has taken decades and trillions of dollars to develop.

Just look at 5G technology. China is killing everyone in this marketplace. They're also crushing us in other markets, like new energy vehicles, integrated circuits, aircraft engines, etc.

According to the IP Commission Report, China is responsible for nearly **$600B in losses** to the U.S. economy each year off patent infringement alone!

To put this in perspective, only 10% of the countries in the entire world have an annual gross domestic product (GDP) of more than $600 billion. World GDP is $87.5 trillion, as you can see in the table on next page.

RANK	COUNTRY	2018 GDP (in millions)
	World	$87,505,400
1	United States	$20,412,870
—	European Union	$16,408,364
2	China	$14,092,050
3	Japan	$5,167,050
4	Germany	$4,211,640
5	United Kingdom	$2,936,188
6	France	$2,925,222
7	India	$2,848,397
8	Italy	$2,181,735
9	Brazil	$2,138,622
10	Canada	$1,798,224
11	South Korea	$1,411,246
12	Korea	$1,693,731
13	Spain	$1,506,978
14	Australia	$1,500,597
15	Mexico	$1,212,002
16	Indonesia	$1,074,448
17	Netherlands	$945,429
18	Turkey	$909,163
19	Saudi Arabia	$748,850
20	Switzerland	$741,617

Source: International Monetary Fund (2018)

Now our current trade deficit with China is over $400 billion (as of year-end 2018).

Furthermore, we have a $169 billion trade deficit with the European Union. Isn't it interesting that the two economic entities with the most to gain from the status quo (China and the European Union) have threatened to retaliate?

Isn't it even more interesting that they've taken the *"wait till you see what we do!"* approach—which has lasted for over a year now?

Now let's add NAFTA (North American Free Trade Agreement) to the equation.

We were told NAFTA was going to be a great deal for the American worker, some 20-plus years ago. The Clinton Administration said it would create 200,000 jobs within the first two years... a million jobs within the first five years... and even more jobs after that...

Instead, it's been an unmitigated disaster for the American worker and the overall economy.

As my pal Warner Wolf used to say, *"Let's go to the videotape."*

NAFTA didn't add millions of jobs. Instead, we lost hundreds of thousands of jobs when our manufacturing plants moved to Mexico, where U.S. corporations could take advantage of Mexico's lower wages and weaker environmental standards.

If you don't believe me, try talking to the folks in Detroit about the auto sector... people in upstate New York about manufacturing... and people in California about computer and textile jobs...

I'm not being political or trying to tug at your heart strings here. It's just business.

U.S. wages became suppressed, and the companies in question made smart, calculated decisions in the best interests of their respective shareholders.

NAFTA did add around $80B in total GDP, according to the Council of Foreign Relations... but what was the aggregate result?

A few billion bucks a year on a policy that was supposed to be so amazing and add jobs and improve lives and all this hoopla. But in the end... *nada*.

I won't even get into the Mexican side of the coin. But it was a bad deal all around. Mexico's agricultural sector was crushed. The country lost over one million jobs. Today, our aggregate trade deficit (the amount we import vs. export) with Mexico and Canada totals over $100B.

Many of us free market guys talk to death about how free trade is a great thing. And it definitely can be. But it's not exactly free if some of the biggest players in the space are stealing, cheating, and manipulating aspects of that "freedom."

So, here's the key point I'm making...

You have to be crazy to mess with the U.S.

The countries listed in the chart below (especially the top five) would have to be "economically suicidal" to try to fight us on tariffs.

COUNTRY	DEFICIT (2018)
China	$419B
Germany	$68B
Mexico	$81B
Japan	$67B
Ireland	$46B
Vietnam	$39B
Italy	$31B
Malaysia	$26B
India	$21B
South Korea	$20B
Canada	$20B
Thailand	$19B
Switzerland	$18B
France	$16B
Taiwan	$15B

That's why Trump is exercising his right and privilege against some of these countries.

I get Trump's actions on tariffs may bother you… but in a street fight, following Marquess of Queensberry Rules can get you killed. And if any of these nations were to increase tariffs in our direction, they'd all fall into a massive recession within 12 months.

Trust me, this is a classic case of a Mexican standoff. Like it or not… Trump's going to win and everyone who plays this intelligently will be rewarded in terms of stock appreciation, dividend payouts, and much lower taxes on massive gains in stock and dividend income.

Why tariffs WON'T equal higher prices

Here's another fun fact for you…

If tariffs on washing machines, solar panels, steel products, and aluminum products are applied, this represents less than 2% of all U.S. imports. That's like a spoke on a giant wheel. And if you only pay attention to mainstream news sources, you'd think the world was about to end.

But it's not really about that at all.

It's about the fact that for decades our bureaucrats with government salaries have been taking expensive trips on private airplanes, dining with international bigwigs... and doing things the American taxpayer would not be fond of if they knew the details.

They're like entrenched CEOs and big, sluggish, low-margin, steady-income, no-growth businesses facing down an activist investor like Carl Icahn.

What Trump has done, in effect, is shake up the people who feel that a lifetime paycheck is owed to them. That's why they're bucking. The message being sent is loud and clear—and it's resonating. The numbers back it.

Since Trump got elected, China's steel exports to the U.S. are down considerably.

Why?

Because Trump campaigned on stopping Chinese steel dumping, and he's stood by his word. I won't play pundit... but it's quite interesting how the "renegade" nuclear regime of Kim Jong-un has suddenly become a docile puppy, isn't it?

The Chinese respect strength and authority, something they haven't seen out of American leadership in decades. Feel free to report me to the Political Correctness Police, but this is how you think and analyze if you want to win at the big boys' table.

Now, could these tariffs have been handled more diplomatically? Sure.

But the major difference between today and the era of GATT is that the U.S. is no longer the only country with access to massive wealth and advanced technology. The power landscape has changed. China wants in. Russia wants in. India's on the horizon.

The uncertain status of the EU may lead to a resurgent Germany. The British are reconsidering their intimate relationship with the rest of Europe. It's a time of toughness. And that's the key to understanding what is really moving these markets right now.

Moving ahead, there are two key concepts to understand.

1. Tariffs are a message, not a policy.

2. Tax cuts are temporary, not permanent.

Since everybody's got an opinion on Trump, here's mine:

He's not the smartest guy in the room on a great many subjects, but he's top-drawer when it comes to tax reform and business toughness. I don't care who you are, it's amazing what we're seeing as a result of tax cuts—Apple, by itself, is bringing $350B back to the U.S. Comcast and AT&T have already given their employees $1,000 checks.

And it's just the beginning.

On the tariff side, again, tactics could, and probably should, have been different, but this will help American businesses grow, numbers go up, and jobs come back.

This is what Trump does. It's what got the guy elected. He acknowledged that taxes are punitive and has been clear about avoiding them skillfully himself.

Again, you can hate the man, but it's not about him, it's about the opportunity that lies ahead for you, your portfolio, your family, and your loved ones.

How to take advantage of new tariff policies

Down to business.

Knowing what we know about the new tariffs, let's make some smart investment decisions.

What if I told you I knew a stock market sector that will greatly benefit? One that features...

- Strong earnings
- Great free cash flows
- A friendly regulatory environment
- And... Dirt-cheap stocks trading at a steep discount!

You'd be hungry for picks, right?

Well, I do have such a sector to share, but first, let me explain why and how it got to where it is.

It’s a classic example of “Page 16” stuff you won’t find because of all the armchair quarterbacks babbling about info above their pay grade on “Page 1”…

Stop listening to the media!

Everybody is against killing free trade, but most of the people crying have a hidden agenda. This includes industrialists, politicians, bureaucrats, newspapers, and academics.

Status quo is the friend of everyone who forms the public opinion.

Life goes on… and the checks keep on getting cashed.

That's how most people in entrenched positions operate.

Over the last 70 years of free trade, which has come almost entirely at the sponsorship of the American taxpayer, many U.S.-based industries have grown dependent on cheap imports.

Most of these industries like the status quo.

Now here’s a funny story…

The Republicans tried pushing a Border Adjustment Tax (BAT) tax through in 2016, but it didn’t work. But if you thought it was Democrats who stood in their way, you’d be wrong.

The retail lobby went nuts…

Two Republicans, Tom Cotton (Arkansas), an ex-Walmart guy, and David Perdue (Georgia), an ex-CEO of Dollar General, rallied the Congressional Republican troops and killed any chance of a Border Adjustment Tax (BAT).

It’s important to know this stuff in order to understand the stupidity of “Page 1” and those who pay attention to it in earnest.

Brief reminder…

The last trade war was during the Great Depression (Smoot-Hawley Tariff) and it did make the depression worse. BUT… the U.S. was running a TRADE SURPLUS then and had something to lose. That’s no longer the case.

The reason a trade war won't happen today is because all the foreign nations that have a surplus with the U.S. will lose it. And they're not going to lose it over a small industry like steel.

How steel tariffs will benefit the auto industry

Alright, you've earned your reward!

Enough about tariffs. Let's talk about an industry that will see massive gains thanks to tariffs...

The U.S. automobile industry, which has, in terms of quality, design, and performance, undergone a remarkable renaissance over the past decade-and-change.

But in order to understand how, we must first look at steel...

The primary metals industry, which includes steel products, iron ore, copper, etc., is roughly 0.3% of GDP. That's less than 0.1% at an 0.05% inflation rate. Almost nothing.

It cannot affect inflation in any measurable way. **But it will help the U.S. steel industry by allowing companies to increase their capacity utilization.**

U.S. steel companies have massive unused capacity, and they'll now be able to sell at higher prices. Not much higher—but capacity utilization increases, plus higher volume and somewhat higher prices, will mean significantly higher profit margins... particularly in steel and iron ore.

Automakers will have some higher costs, but they received a huge benefit from the recent tax reforms (corporate tax cut) Trump passed in December 2017, so it'll offset positively.

<u>Here's the math</u>:

> 1 car = 2,000 lbs. of steel
>
> $0.50 per pound (steel) = $1,000 per car
>
> 10% to 20% bump in steel price = $100 to $200 more to produce a car

But:

Corporate taxes slashed from 35% to 21% means…

Gross margin per car profit (on average) = $4,000

Instead of paying $1,400 in taxes (35% tax rate) on the $4,000, carmakers only have to pay $840 in taxes (21% tax rate).

That's $560 of added profit per car ($1,400 – $840).

In other words, a 10% to 20% jump in steel prices from tariffs will add $100 to $200 in costs for each car… but automakers will still see huge profits when you add in the $560 in extra cash per car they'll generate due to the recent tax cuts.

That's why domestic auto stocks (I like **Ford** and **General Motors**) are good short-term trades. As you can see by the math, the news on tariffs is more noise than substance, and the pullback in these names is unwarranted.

It's also a good time to buy domestic steel companies (I like **U.S. Steel** and **Steel Dynamics**). These companies will have more pricing power with less supply (fewer imports) coming into the U.S. markets.

Tying it all together

Never have I seen the world so thoroughly influenced by loud-mouthed fools.

The internet and smartphone technology have been great for the world, but they also allow any idiot with a web connection to rant about subjects that are way beyond his levels of expertise.

As my *Wall Street Unplugged* listeners will attest, I know what I'm talking about. And I'm not shy about sharing my opinion. That's why I name names when analysts sell snake oil and freely admit to my own losers (you can't be in this game as long as I have been without having some).

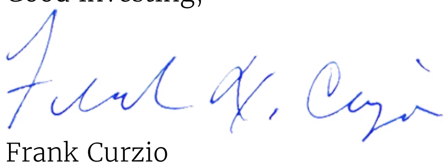
I started my podcast to give you an alternative perspective on the markets in real time, based on decades of industry experience and personal investing.

I've seen every side of Wall Street—from the outhouse to the penthouse—and it's not a place that's easy to navigate. All I can guarantee is that I'll always bring you a different view than you'll hear from the talking heads.

Success in today's marketplace requires quick adaptation, the right information, a knowledge of what matters, and the decisiveness to act.

Stick around and interact with me through www.curzioresearch.com and listening to the *Wall Street Unplugged* podcast each and every week.

Good investing,



Frank Curzio