TRUMPONOMICS:

YOUR GUIDE TO GETTING RICH IN THE AGE OF DONALD TRUMP

CURZIO RESEARCH

SPECIAL REPORT

CURZIO RESEARCH

SPECIAL REPORT

TRUMPONOMICS:

YOUR GUIDE TO GETTING RICH IN THE AGE OF DONALD TRUMP

It was the biggest upset in the history of politics.

After trailing Hillary Clinton for months leading up to the election, Donald Trump managed to beat the former Secretary of State in November to become the 45th president of the United States.

A few weeks before the election, Trump was only given *a 7% chance* of winning, according to a *New York Times* poll. *FiveThirtyEight,* a bipartisan statistical research site, was a little more optimistic. Their model suggested Trump had a 12.6% chance of winning.

At 8pm on election night, a $100 bet on Trump - through online betting site Betfair - would have generated *$5,550*. Less than 90 minutes later, once the early results began to pour in... those odds shifted dramatically. Trump quickly became the odds-on-favorite to win.

Most of the world was in shock following his remarkable victory. After all, nearly every political expert (both Democrats and Republicans) had Clinton winning by a landslide.

After the election became official (at 2 a.m. the next day)... markets around the world started to plunge. The uncertainty of a Trump presidency started to filter into the stock markets.

The Dow Jones index fell more than 500 points... The Nasdaq and S&P 500 were halted to avoid further selling... European stocks fell more than 2%... And some Asian markets fell more than 4%...

These downturns were short-lived.

Nearly every one of these markets reversed their downtrends within a few hours. In fact, most of these indices closed *higher* to end the trading day.

That's because once the initial shock of Trump's miraculous win wore off… investors began to realize *this could become the most business-friendly administration is the history of America.*

It doesn't matter one bit if you personally like Trump or not. This message isn't about politics. It's not intended to spark a riot… or even stir a debate…

It's about money.

The huge amount of cash you could generate to buy a house… take a vacation with your family… pay for your children's college education… and eventually retire on. And Trump's policies will play a big role in how quickly you can achieve these goals.

In this special report, I'll explain why Trump's pro-growth policies could push stocks sharply higher over the next few years. These policies include tax reforms, deregulation, and infrastructure spending that will impact hundreds of companies.

And I'll share a few companies with you today that could eventually make their way into my *Curzio Research Advisory* portfolio (both on the long and short side).

Now, let's take a closer look at why…

A Trump Presidency Could Drive Stocks Much Higher In the Years Ahead

One of the biggest game-changers for investors will be tax reforms.

Over the past few decades, many U.S. companies have moved operations overseas – and hold trillions in cash overseas – to avoid paying high U.S. corporate taxes (35%). Trump's potential reversal of this trend could have huge implications for the U.S. economy and for investors.

For example, president Trump plans on cutting the corporate tax rate and cutting taxes on money brought back into the U.S. from overseas (called "repatriation"). This chart should help you get a better understanding of these potential tax cuts…

	Current Law	House Republican Blueprint	Trump Proposal
Domestic corporate rate	35%	20%	15%
Business expensing	Accel. Deprec. w/ 50% bonus through 2017, 40% 2018, 30% 2019	100% expensed at time of investment	Allow option of 100% expensing
Net interest deductibility	Unlimited	Repeal deductibility	Repeal deductibility for those who expense
Foreign income	35% (minus foreign tax credits)	0% (full territorial system)	15% (repeal deferral but allow foreign tax credits)
Repatriation	35% (minus foreign tax credits)	8.75% on cash 3.5% otherwise	10% on previously untaxed earnings
Destination-basis/ border adjustment	N/A	Deny deduction of import costs, exclude export-related income	N/A

Source: Tax Policy Center

As you can see above, Trump wants to cut corporate tax rates from 35% to 15%. And since the Republicans control the House and Senate – this increases the odds of these massive tax reforms taking place sometime in the near-future.

This may seem like a minor adjustment…

But U.S. Treasury Secretary Steve Mnunchin projects that *every 1% cut in the corporate tax rate could add 10% in earnings to the entire S&P 500.* Let's take a closer look at why this is a game-changer…

For 2017, the S&P is projected to earn $131 per share in earnings. This includes the combined earnings of all 500 companies in the major index.

That means a 1% cut in taxes would add **$1.31** in earnings… a 10% cut in taxes would add $13.10 to earnings… and a 20% cut in taxes (from the current 35% -- to Trump's proposal of 15%) would add $26.20 in earnings to the S&P 500.

As of March 2017, the S&P 500 index trades at 18 times forward earnings. We get to this number by simply dividing the index value of the S&P 500 (2,360) by the total projected earnings for 2017 ($131) or…

$2,360 / $131 = 18x earnings

At 18 times earnings, the S&P 500 is considered expensive. After all, the index has traded at an average of 15.5 times earnings since the 1960's.

Using the same formula (S&P 500 index / total earnings), the S&P would be trading at **just 16.3x** earnings if the corporate tax rate falls to 25%.

However, if the Trump administration gets the approval to cut the corporate tax rate to 15% this year, that would add another $26.20 in total earnings to the S&P. That brings the total earnings of the S&P to **$157.20.**

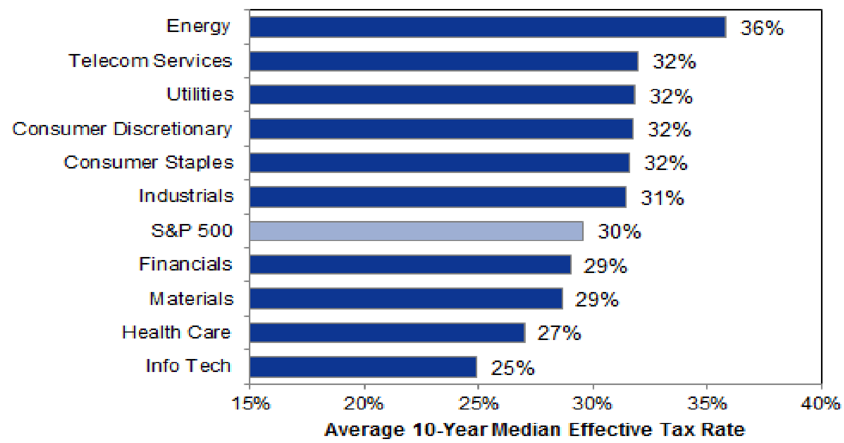
And if the corporate tax rate falls to 15%, the S&P would only be trading at 15x earnings! <u>That's now a discount to the historical average of 15.5x earnings.</u>

You can see why Trump's corporate tax proposal is a big deal. That just one of the reasons why stocks have run considerably higher since the Street is anticipating at least a marginal cut in corporate tax rates later this year.

What does mean for certain sectors and stocks?

A lower corporate tax rate will be beneficial to almost every company that pays taxes on their earnings. However, some sectors will benefit much more than others...

For example, the sectors that have the highest corporate tax rates include Energy, Telecom, Utilities, Consumer Staples, and Consumer Discretionary... The sectors with the lowest tax rates include Technology, Healthcare, and Financials.



Source: Goldman Sachs

A few S&P 500 companies within these sectors that pay the highest taxes include **General Electric, Kinder Morgan, Amazon, Colgate-Palmolive,** and **United Healthcare**. These are the stocks that will see the biggest jump in earnings if Trump's corporate tax cuts are passed.

A few S&P 500 companies that pay the lowest taxes include **Chevron, Amgen, IBM, Gilead,** and **Merck.** These companies will not benefit as much since they already have a low tax rate.

An Incredible $2.5 Trillion Opportunity

Another big opportunity for investors is repatriation.

More than 35% of corporate profits for the S&P 500 companies is generated overseas. This money is taxed by foreign governments. However, our government also wants to tax these profits (at the current tax rate of 35%)... once this cash is brought back to the U.S.

That explains why American companies are holding *$2.5 trillion* in cash overseas.

In order to incentivize companies to bring cash back to America, President Trump plans on cutting the tax rate on repatriated cash from 35% to 10%. This is a VERY big deal.

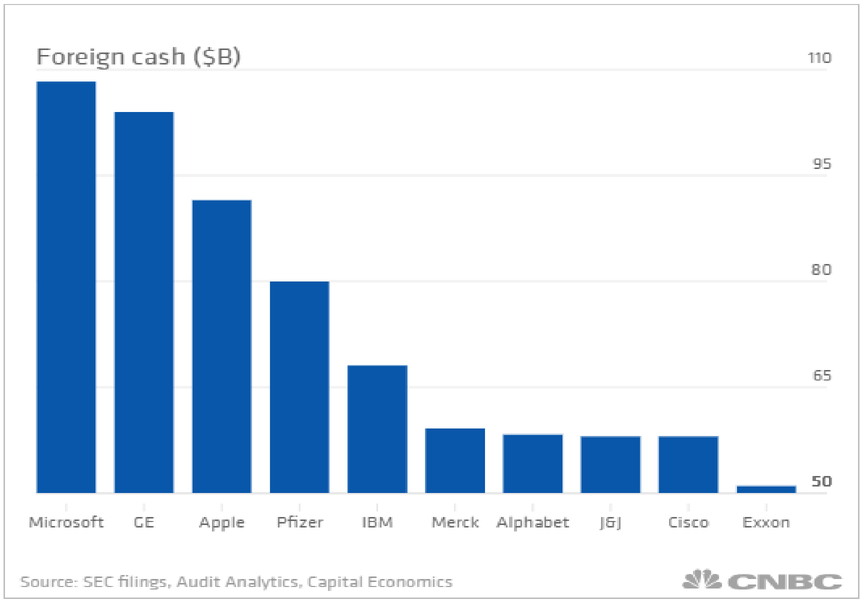
Most companies already told the President they would bring a lot of their cash back to America if the tax rate was 10%. This would result in a major boost to the U.S. economy...

For example, this cash would be used to build more factories in America... Buy more equipment in America... Expand operations in America... And ultimately help bring more jobs back to America.

If Trump (with the help of Congress) lowers the tax rate on repatriation to 10%, it would also be a huge win for the Federal government.

For example, if the $2.5 trillion in overseas cash is taxed at 10%... The government could generate $250 billion in revenue almost immediately. This cash could be used to help finance the construction of new highways, bridges and airports. It could also be used to pay down our massive debt on entitlements.

Here is a list of American companies with the biggest cash hoards overseas. Microsoft and General Electric lead the way with *over $100 billion each...* Apple is holding $91 billion in cash overseas... and Pfizer has close to $80 billion.



Source: CNBC Website

At a 10% tax rate, this would result in significant savings for every company on this list (as well as every American company that's holding cash overseas). After all, **the difference between a 10% tax rate and a 35% tax rate on $2.5 trillion in cash is <u>$625 billion</u>.**

To put that in perspective, the $625 billion in savings is *more than 30% higher* than the revised Troubled Asset Relief Program (TARP) stimulus package passed by the government during the credit crisis.

The $625 billion in cash could be used by companies to buy back stock (and create an even bigger boost to earnings), raise dividends (great for retirees looking for yield), and for potential mergers & acquisitions (which would increase growth rates).

And as I explained earlier... Companies could also use this cash to hire more workers, buy plants & equipment, or to expand research on drugs that could cure some of our most deadly diseases.

In short, these tax reforms will act as a massive stimulus package for the U.S. economy. Everyone will win... especially investors who own stocks with the highest corporate tax rates and stocks that have the most cash stored overseas.

Tax reforms are just one small part of President Trump's pro-growth policies. The deregulation of banks will also provide a significant boost to the economy and the stock market over the next few years.

Banks Could Release Trillions of Dollars Into the Economy

After the credit crisis in 2008, the laws for U.S. banks changed dramatically.

Banks were once supervised solely by the Federal Reserve. But under a new 2,300 page law (called the Dodd-Frank Act), our largest banks come under the supervision of several organizations, including the Fed, state regulators, the FDIC, and the Comptroller of the Currency, to name a few…

And they all play by a different set of rules.

Today, banks are required to keep much more capital on their balance sheets. For example, large banks were required to keep a Tier 1 capital ratio of 4% pre-credit crisis. Without getting too technical, that's the ratio of a bank's strongest assets weighed against its riskier assets.

After Dodd-Frank was passed, large banks were now required to keep a Tier 1 capital ratio of at least 10.5%. *That's the difference between having to put $30,000 as a down payment to purchase a house (pre-credit crisis) and $85,000 down to purchase the same house (after Dodd-Frank).*

And banks are now barred from making speculative investments that could hurt its customers. These speculative investments include certain derivatives and other exotic products like credit default swaps and collateralized debt obligations (which created the housing bubble).

In short, Dodd-Frank was supposed to create a safer and more competitive banking system.

But it's failed miserably.

The largest banks have grown even bigger in terms of assets and market-caps… The smaller banks can no longer compete with the few industry leaders like JP Morgan, Bank or America, Citigroup, and Wells Fargo… And tougher restrictions have resulted in fewer loans for most of the banking industry.

That's why President Trump signed a directive in February to reform Dodd-Frank. He plans on easing these restrictions so banks can lend more money. This would result in more small business loans… and loans to individuals who will be able to buy a new home or add a new extension to their existing home.

<u>This may not sound like a big deal – until you look at the numbers.</u>

For example, under Dodd-Frank JP Morgan is required to keep more than 20% of its assets in cash and low-yielding (or super-safe) securities. *This amounts to $539 billion of its $2.5 trillion in total assets for the banking giant.*

JP Morgan earns less than 0.5% on these assets. That compares to its average loan yield of more than 4%. That adds up to billions of dollars is lost revenue each quarter for the largest bank in America… and we're talking about investing this cash in high grade quality loans… not credit cards or student loans.

In short, deregulation would not only be great for our largest banks in terms of generating more profits… but these banks would then be able to loan more money to customers – *which is a huge driver of economic growth*.

That explains why banks have surged higher since Trump was elected President. The Street is anticipating an easing of Dodd-Frank. But large banks still have plenty of upside left… They will be huge beneficiaries of deregulation – and also tax reforms.

One more reason stocks could go considerably higher under a Trump administration…

$1 Trillion in Infrastructure Spending Is Just Around the Corner

On February 28, President Trump said he will ask Congress to approve a $1 trillion infrastructure bill.

Trump says this bill will create jobs and help to fix our bridges, tunnels, roads, and airports, many of which are in terrible shape and "technologically obsolete." The American Society of Civil Engineers (ASCE) recently published a report suggesting <u>it would cost more than *$3.3 trillion* to fix our massive infrastructure problems</u>.

Here is a list of just a few of those problems identified in the ASCE report:

- **1 in 9 of the country's bridges are rated as structurally deficient, meaning they require significant maintenance, rehabilitation, or replacement...**
- **Of the 84,000 dams in the U.S., 14,000 are considered "high hazard" and 4,000 are deficient. It would cost $21 billion to repair these aging dams...**
- **42% of the country's major urban highways are considered congested, and 32% of major roads in the U.S. are in poor or mediocre condition...**
- **There are 240,000 water main breaks in the U.S. each year, and many water mains and pipes are over 100 years old...**
- **The Federal Aviation Administration anticipates that the national cost of airport congestion and delays will nearly double from $34 billion in 2020 to $63 billion in 2040...**
- **90% of locks and dams experienced an unscheduled delay or service interruption in 2009. Barges being stopped for hours can prolong transport of goods and drive up prices...**

In short, America's infrastructure is old and is in dire need of maintenance. We got a firsthand look at this in early 2017, when the 770-foot Oroville Dam – just north of Sacramento – began to crack and leak water.

More than 180,000 people were forced to evacuate the area.

Source: TruePundit.com

This catastrophe could have been easily avoided… In 2005, several environmental groups filed a complaint with the Federal Energy Regulatory Commission, saying the emergency spillway was unsafe.

The government rejected the request after state and local agencies involved in the water system said they did not believe the upgrades were needed.

This is just one of 14,000 dams the ASCE deems “high hazard” – or needs to be repaired right away.

Trump’s $1 trillion infrastructure plan should push through Congress quickly. That’s because Hillary Clinton ran on a similar proposal (to spend the same amount of money) to upgrade our infrastructure. In other words, Trump should not see much pushback from Democrats to get this bill passed.

The biggest beneficiaries of this $1 trillion bill are likely to be:

- **Equipment rental companies (who generate a large portion of sales in the U.S.), including United Rentals, W.W. Granger, and Herc Holdings**

- **Steel companies, including U.S. Steel, Nucor, and AK Steel**

- **Construction material companies, including Vulcan Materials and Eagle Materials**

- **U.S. Engineering and infrastructure companies, including AECOM, Chicago Bridge & Iron, and EMCOR Group**

As you can see…

If passed, Donald Trump’s pro-growth policies will stimulate America’s economy. It will also push earnings significantly higher across multiple sectors… And it will also drive the markets much higher, even though most of the major indices are trading near record highs.

And remember…

It doesn't matter one bit if you personally like Trump or not.

It's about you and your money.

That's why it's crucial to pay close attention to Trump's economic agenda. His policies could send certain stocks sharply higher over the next four to eight years.

I'll be investigating these stocks closely… visiting company headquarters, meeting management teams, and getting a better understanding of their business models and growth potential.

And when the time is right, I'll recommend the companies most likely to outperform the markets in my *Curzio Research Advisory*.

Good investing,

Frank Curzio

Note: *The stocks mentioned in this report are not official recommendations. They are a list of names that I may recommend in Curzio Research Advisory at the right price point.*

All information provided on this newsletter pertaining to investing, stocks, securities must be understood as information provided and not investment advice. We advise all readers and subscribers to seek advice from a registered professional securities representative before deciding to purchase or trade in stocks or any securities presented in this newsletter. All information provided regarding the companies featured in this newsletter comes from the companies themselves, SEC filings, news releases, company web as well as other sources of publicly available information. The profiles of companies are not a solicitation or recommendation to buy, sell, or hold these or any other securities.

Investors should not rely solely on the information contained in this newsletter. Rather, investors should use the information contained in this newsletter as a starting point for doing additional independent research on the featured companies. The advertisements within this newsletter are not to be construed as offers to purchase securities in the companies which may be the subject of such advertisements pursuant to federal or state law or the laws of any foreign jurisdiction. The profiles on this website and the newsletter are believed to be reliable; however, Curzio Research disclaims any and all liability as to the completeness or accuracy of the information contained in any advertisement and for any omissions of material facts from such advertisement. Investing in micro-cap and growth securities is highly speculative and carries an extremely high degree of risk. It is possible that an investor's investment may be lost or impaired due to the speculative nature of the companies profiled. Information presented in this newsletter and supplied through the newsletter contain "forward looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21B of the Securities Exchange Act of 1934. Any statements that express or involve discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, goals, assumptions or future events or performance are not statements of historical fact and may be "forward looking statements." Forward looking statements are based on expectations, estimates and projections at the time the statements are made that involve a number of risks and uncertainties which could cause actual results or events to differ materially from those presently anticipated. Forward looking statements in this action may be identified through the use of words such as "projects", "foresee", "expects"', "will," "anticipates," "estimates," "believes," "understands" or that by statements indicating certain actions "may," "could," or "might" occur. There is no guarantee past performance will be indicative of future results. The accuracy or completeness of the information in this newsletter is only as reliable as the sources they were obtained from. Curzio Research, research team, affiliates, and/or families may at times may hold positions in securities mentioned herein, and may make purchases or sales in such securities featured within our newsletters. No compensation for efforts in research, presentation, and dissemination of information on companies featured within our newsletter has been paid to Curzio Research. Investments in private or public small cap companies are generally deemed to be highly speculative and to involve substantial risk, making it appropriate for readers to consult with professional investment advisors and to make independent investigations before acting on information published by Curzio Research. Investing in securities such as the ones mentioned herein are for high risk tolerant individuals only and not the general public. Whether you are an experienced investor or not you should always consult with a broker before purchasing or selling any securities that we profile in newsletters, mention in email updates etc, consult for or interview. In compliance with the Securities Act of 1933, Section 17(b), any and all compensation received from a company is publicly stated.