

The Disciplined Investor - Summary for Curzio Podcast (Episode #896)

Quick recap

The meeting covered a wide range of financial and economic topics, including market trends, investment opportunities, and the impact of political decisions on various sectors. Discussions focused on the potential of small-cap stocks, AI companies, cryptocurrencies, and the performance of major corporations like Disney. The participants also analyzed the current state of the economy, touching on issues such as debt, equity, and the regulatory environment, while offering insights into future market developments and investment strategies.

Summary

Market Trends and Investment Strategies

Frank and Andrew discussed the current state of the market, focusing on interest rates, debt, and the performance of small caps. Frank predicted that the Federal Reserve would continue to lower rates into the next year, and he noted that the long rates had increased. He also mentioned that banks had done a good job managing commercial real estate issues. Andrew pointed out that small caps had lagged due to rising interest rates, but the situation improved with deregulation talk. Frank also compared the performance of gold companies and tech giants like Apple and Amazon, suggesting that investing in these companies could be more profitable than in small caps.

Small-Cap Stock Opportunities and Challenges

Frank and Andrew discuss the opportunities in small-cap stocks, particularly in the current favorable environment with Trump's policies, increased M&A activity, and lower interest rates. They critique the Russell 2000 index as a benchmark for small caps, citing issues like infrequent rebalancing and the inclusion of unprofitable companies. Frank emphasizes the importance of stock-picking based on research rather than relying on indices. They also touch on the flaws of the Dow Jones Industrial Average's price-weighting methodology. Overall, they agree that while the outlook is positive, careful stock selection is crucial, especially in sectors like semiconductors where performance varies greatly.

AI Company Growth and Spending

Frank and Andrew discussed the growth and potential of AI companies, particularly Nvidia and AMD. Frank highlighted Nvidia's strategic partnerships and software development, which has created a strong moat in the AI industry. He also noted the significant spending by top tech companies on AI, with Amazon leading at \$100 billion. Frank emphasized that there is no evidence of slowing down in AI spending, and companies are more at risk from not investing than from overspending. Andrew agreed with Frank's points, noting the potential of AI and the importance of

data. They also briefly discussed the recent results of Reddit, a company that has become profitable after years of operation.

Economy, Debt, and Home Equity

Frank and Andrew discussed the current state of the economy, focusing on debt and equity. Frank highlighted the potential for unlocking home equity through Helocs, despite higher interest rates. Andrew noted that some people are not concerned about debt, preferring to maintain low-interest mortgages. They also touched on the potential for credit card debt to increase as people pay off their mortgages. The conversation was set to continue with discussions on Disney, Elon Musk, and the Trump trade.

Cryptocurrency Potential and Market Trends

Andrew and Frank discussed the potential of cryptocurrencies, particularly Bitcoin, in the current market. Frank expressed his belief that the crypto industry has the greatest potential for making money, citing its volatility and the fact that most other sectors have been disrupted by technology. He also mentioned the potential of blockchain technology to revolutionize industries such as banking and data centers. Frank predicted that the next two years would see positive news about cryptocurrencies, and he highlighted the potential of companies like Chainlink and Galaxy Digital. Andrew agreed with Frank's assessment, noting the recent all-time high of Bitcoin and the potential for a more safety-oriented trade.

Cryptocurrency Market and SEC Influence

Frank and Andrew discussed the volatility and potential of the cryptocurrency market, with Frank mentioning a coin called Peanut the Squirrel that had a 2 billion dollar market cap and had increased by 1,300% in a week. They also discussed the potential impact of the Trump administration on the electric vehicle industry, particularly Tesla, and the role of the SEC in regulating financial markets. Frank expressed his belief that the current leadership of the SEC has a clear agenda against crypto and Elon Musk, and that they are trying to make it difficult for companies to operate.

Political Climate and Economic Impact

Frank and Andrew discussed the current political climate and its impact on the economy. Frank expressed his disappointment with the SEC's actions, particularly in the crypto industry, and criticized the government's handling of the economy. He also shared his personal experience of working in the financial industry and his frustration with the treatment of retail investors. Andrew agreed with Frank's points, noting the pendulum swing in politics and the need for balance. The conversation ended with Frank's rant about the SEC's failure to protect investors, particularly in the context of SPACs and the credit crisis.

Disney's Earnings and Growth Concerns

Andrew and Frank discussed Disney's recent earnings report and its performance in the film and streaming industries. Despite some macroeconomic headwinds, Disney's film studio had a record quarter, and the company's CEO, Bob Iger, expressed optimism. However, Frank expressed concerns about Disney's growth model, particularly its focus on streaming and its inability to compete with Netflix. He also criticized the company's strategy of raising prices and adding ads to its streaming service. Frank concluded that Disney's growth model was unsustainable and that the company's stock was overvalued.

Election Impact on Industries and Companies

Andrew and Frank discussed the potential impact of the recent election on various sectors, including renewable energy, biotech, and defense. They agreed that the solar and alternative energy sectors might face challenges, while biotech and defense could benefit from the new administration. Frank highlighted Palantir as a promising company, despite its high valuation, due to its strong growth and the CEO's ability to transform businesses. They also discussed the potential of private prisons and cryptocurrency, with Frank expressing skepticism about the latter. Frank encouraged listeners to subscribe to his podcast and newsletter for more insights.

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