**Jim Cramer:**

All right. Snowy day so we're trying to make sure everybody's got a chance to be able to get to their PC or their handheld and I want to welcome you to the Action Alerts Plus Members Only Club February conference call. Before we get started on today's markets and portfolio commentary, we got to do something here. We're going to officially announce some exciting new changes to the Action Alerts Plus platform. They'll be coming in the next couple of months.

As you know, AAP has been turned into a club and as members of the club your feedback is important to us. We've been working on a brand new design for AAP that I'm really excited about to address the changes that you have been asking for and in some case demanding. Ultimately our goal with this is to make the product easier for you to navigate so you can focus on the stuff that really matters, so we are modernizing the look and feel of AAP, which is back from the stone age and adding some cool features along the way.

What does it mean for you? Well, while we've been communicating more of the details in the coming weeks from a high level, we have revamped the website to be mobile first, thank heavens, so you can enjoy the same experience on your phones, tablets, and desktop as you did on your desktop, begging... this is an answer to what so many told you, you just endlessly demanded it and it's take some time. I think it's a necessity. We're also adding more personalization features so that AAP can fit the experience you want and as an example one of the smaller details many of you have asked about, we are adding a price target column to the portfolio page so you can more easily track our recommendations. Again, from the forum we know you want that.

Now, I want to stress that we're not taking away anything about the core of AAP research, analysis alerts and investment education that the product’s been built on and of course any interaction with you. We know you value the great portfolio information provided. I thank you for that. This will be the same terrific AAP with all the features you love but we are updating the way it looks on your computer mobile device, redesign the layout to make it easier for you to find your favorite parts of the club, the alerts, weekly roundup portfolio, core holdings, indices forms.

Be on the lookout for more information about these changes the coming week but I wanted to give you an update as we're excited about the new experience. As always, we want your feedback because we’re in the formative stages and I’ve got to tell you that this is something that I wanted too and I’m not going to approve it unless I think it’s going to be fitting your needs.

Okay, so let’s talk fundamentals here. A polarizing man storms the White House. His nominal party snares both Houses of Congress. We go from a regime that was unfriendly to business to one that is in love with it. The previous administration didn't ever want to do anything good for you, the shareholders because the perception was
that stocks were off just for fat cats. I know I bumped heads with them many times about this. They just never relented on the idea that only rich people own stocks. Now we have a regime that wants everyone to get rich and if it is with stocks, all the better, although not as good as real estate and you know what, none of that is what this market or this rally is really about.

Now, it’s not a side show. No President can ever be a side show, least of all this one who had the number one ratings in the Apprentice, which he would tell you about constantly. I was a judge four years. He’s the main event when it comes to politics and he’s way too interested in business for his administration to not be among the front and center issues facing investors, but many people, especially those who pontificate about stocks endlessly and these are from hedge fund managers, research analysts, paid commentators, they’re viewing Washington as the only driving force behind stocks, and I have to tell you that’s a huge mistake that many are making and that’s where we want to begin this conference call.

You know other than all the other venues, I mean I like to be personal in these calls. It’s a club spirit. It’s one of the reasons why I’m so happy that we changed the company into a club and it’s what we’re trying to accomplish here to make you a better investor, better broker, better money manager, or manager of your own money and we have a lot of professionals who listen and of course we have a lot of individual investors. You may not know this, I studied political science. I majored in Government when I was at Harvard and that was at the time when Richard Nixon was on the ropes and one thing I learned is that the President, no matter what President, has far more limited power than people think, even presidents with both Houses of Congress in his favor.

Now, obviously President Trump does not have the mandate that say Regan had because he lost the popular vote, but this matters. I want you to think back a month ago when President Trump picked all sorts of so-called un-approvable candidates, Mnuchin for Treasury. Won’t he be knocked out for his gaming the system to make millions in the wake of the Savings and Loan crisis with IndyMac? How about Tillerson? Won’t he spurned because of his connections with Exxon and Russia? I could name every designee and so far they’ve all sailed through, even as if you scroll back or Google their names, you will see that most of these were supposed to be dead on arrival. That’s what the mainstream press said.

After a while you do think that Trump has a point about the negativity toward his White House, even as you also have to think, wait a second, when you bully a federal judge and you criticize Nordstrom for dropping his daughter’s brand because of weak sales, well you aren’t exactly going to please everybody including the nominee to the Supreme Court. Still though, despite his now painful tweets and they are painful, they’re almost as painful as the stock of Twitter today, right, he’s now trying to broker so many different things, the Repeal and Replace of the Affordable Care Act, the rewriting of the tax code, the Supreme Court nominee fight, that the idea he’ll be able to get his agendas to sail through both Houses is beginning to look a lot let’s just say fanciful.
It’s one of the reasons by the way that interest rates until today have been going down. People said, well, maybe, maybe we’re not going to get all this infrastructure. Now, it doesn’t mean that we won’t get there eventually but to hark back to my college days, one of my professors, Doris Kearns Goodwin, yeah, the great writer, once explained to me repeatedly no matter how dominant a President may be, there’s only so much political capital, even the most popular President has, and Trump is not that popular. It doesn’t mean that the tax code will stay the same, far from it. Nor does it mean that repatriation is off the table. It will happen. It just might not happen this year.

It might not happen until 2018. It does mean that the breakneck speed of the first few weeks of this administration probably won’t continue and I got to tell you, that’s good because the pace and the endless tweets, which at this point not even good for Jack Dorsey and shareholders of Twitter have scared away a lot of investors and has people once again scurrying to the sidelines, again, why interest rates went down. Most of the big money I talk to just hates this guy, hates him so much they can’t even think about buying a stock of a company they love for fear that Trump will do something tomorrow that will irrationally send everything cascading down. We got a little break today. He’s meeting with the airline executives.

Hey, the market’s up. Well, maybe it’s just neutralized. That’s the chief reason why you see interest rates going down. The lack of faith or belief that this man can get anything done with all the snafus we’ve seen. In some ways I think he’s become his own personal gridlock and rates are going lower because of it, today being a rare exception. And as I said the other night on Mad Money, if Trump decides that he’s going to shut down China, then we’re going to have that correction that the shorts and the haters are really dreaming of and talk about, really want frankly as a repudiation to him. But if he is really going to be tweeting that people in Congress are getting in his way a lot and he does just nothing but deregulate where he can, then I think we should be happy owning stocks, happier than a lot of people realize and I want to spend some time on this concept.

In fact, my other formal higher education at Harvard Law comes into play with this issue. Having taken many administrative law courses, many as I could, one thing that has stood me well over these past 40 years is the knowledge of the power of regulators and the understanding they can really interfere and wield power beyond all comprehension and this power before we get to the actual fundamentals of some of the top of my stock club members, let’s just say it could play out very positively for us. Do you think we want to own Comcast just for its incredible earnings power? I mean that’s a good reason. The quarter was fabulous.

Some would say, though, that they own it right now because Comcast pays a very high tax rate and if you really think that taxes aren’t going to come down in 2017, that there will not be tax reform because the agenda is to log jam, then you have to sell Comcast, right? Isn’t it too risky if Trump can’t ram tax cuts through or everything gets hung up on this border tariff? Well, how about because the FCC now favors net neutrality? That wasn’t the way it was with Obama, which may allow Comcast to make a lot more money
than would be the case under the previous administration or certainly under Hillary Clinton, raising earnings Comcast on deregulation. That’s what I say.

You know why we keep Walgreens in the portfolio for club members, even though it’s a bricks and mortar at play? Simple. It’s trying to buy Rite Aid and while it has cut the price it is going to pay very good for WBA shareholders. It has a better chance of getting this deal blessed from a pro-business FTC than under Obama’s FTC, which got burned when it allowed a similar deal to get done, saw it fall apart later on. I say raising numbers Walgreens and of course I’m looking at the stock right now, even though we have bad news for CVS. Again, CVS has got a pharmacy benefit manager. Walgreens is trading up.

Why the recent decision by us to overweight the oils despite the declining crude? It does seem to reverse today and I can give you some reasons why, mostly because when oil goes below 50, we shut in a lot of production in this country but it’s simple. Deregulation of an industry that the previous President wanted to shut down is such a radical shift that I think it can transcend a few dollar drop in crude. Magellan Midstream Partners, MMP, one of my absolute favorites here that you know we’re itching to buy more of because unfortunately I mentioned on TV I’ve not been able to, that may have the most to gain from FERC, the Federal Energy Regulation Committee, FERC deregulation and any company in this country save Energy Transfer Partners or Williams, but unlike those two Magellan has a terrific balance sheet and much better and more conservative management.

Management of new positions, Cimarex told me offline that this could be the moment where it can explore and drill without having to worry about changes every day coming from Washington, which they were. Yes. It has been that big a problem. Now, I know we were premature with our buying of Apache higher. We had a lot of questions on that and I’ll go over it more in a second but I don’t think it’s necessarily done going down, but I do believe quite strongly that this company has the biggest hoard of cheap oil in the Permian that it’s now not even being priced in one width because the stock is now below where it was when discovery was announced, just talking about Alpine High.

Schlumberger may be the biggest winner of all because this President is distinctly drill, baby, drill wherever and whatever. We have said we want to wait until it slips under 80 to buy more because we’re always reluctant to violate our bases. New people, you have to understand we’ve written a lot about that but boy, oh boy, is this one tempting considering that I still think oil could go to 60 dollars by year end. Now, in terms of more regulation versus less, how about Citigroup?

Citigroup has the most excess capital of any bank. One of the reasons why we own it but it hasn’t gotten the green light of the regulators to be as aggressive as it would like in its return of capital shareholders. The company wants very badly to buy back at least 7 percent of the company in 2017. With deregulation, I think that’s a given. Plus, the others have such bigger dividends. Citi can bulk up its own. It’s the cheapest bank stock there is, national or regional. Michael Corbat, CEO, has done a fabulous job but he gets
almost no credit. We will buy back the stock we sold at 60 if it gets to 55. Meanwhile, it’s better sometimes to be lucky than good.

Let’s talk about another one. We did hold on to Wells Fargo, up nicely today as it will be when interest rates go higher. We held on because deregulation is good for the ne’er-do-wells. By the way, club members, do you know that all in the years that we’ve been doing action alerts, you’ve almost always done better than me, because when I get to buy well after you and sell well after you and because of my restrictions, I almost always get caught in the cold, but one of the reasons I wanted so much to go to a club format is that when I moved onto doing two shows a day on CBC, remember I’d started Squawk on the Street, I simply lost most of my room to maneuver for the trust itself because of our restrictions, rendering a lot of the performance figures irrelevant. I apologize that we are now keeping our Wells when I said we would get rid of it but we don’t own enough financials given the deregulation of the industry.

By the way, I am eyeing American Express as a potential replacement or addition to Wells but I am not ready yet to pull the trigger. We must always wait for you to buy or sell though because getting a better price than club members is not what this product is about and if you stay tuned, you’ll hear a new name that we are going to buy, that you will get the usual head start on before we pull the trigger. Now, all of these earnings-per-share impactors, think about it, they have nothing to do with Congress. They’re all on the President and his people. You got a binary thing going on here.

Almost all deregulation is good for business as Jeff Immelt said last night on Mad Money, the CEO of GE, and as a small business owner, I can tell you that this kind of change does want to make people want to expand business, do more of it, it makes you want to risk more capital, put it to work buying buildings, opening businesses and that’s exactly what’s happening in this country now, particularly as the regulators are going to let lending be easier to small business.

Again, to be personal club format, I am in the inn business in Summit, New Jersey and the restaurant, really tavern business in Brooklyn, and I can tell you it’s the government that trips you up, the government that can shut you down. The government’s more likely to hurt you, federal, state, local, than you are likely to hurt yourself. Same as in the hedge fund business. A government hand that is stayed or less heavy is one that makes you feel like expanding, not contracting in that business. The CEOs I speak to off camera are all saying the same thing. Sure, they occasionally talk about taxation. Some mention repatriation, but what they’re all really barking about in unison is that they know the federal government doesn’t want to give them a hard time anymore and they are so exuberant. They’re jubilant.

So there’s always state and local, yeah, absolutely but the idea that you can draw up a budget and not expect to have a federal rule made that wrecks it, well that’s very different from the Obama regime and that’s what’s going on now, almost every one of the companies I talked to has been hurt by federal rule making in the last eight years that came out from the blue, many times in ways that impacted earnings. That might
very well be done for now. That’s extremely positive for us. Now I do believe that Trump’s deregulation plans have hit a lot of media hot buttons. Go talk to your kids about easing regulation of the banks. They go ballistic because the media hates the banks. My daughter lectured me all weekend about this. Go talk to them about defunding the EPA. They actually talk to me about it. My other hat is environmentalist. It’s terrible but the EPA will be the Energy Protection Agency under Trump and we are picking stocks here, not picking sides. I’m overweight in energy because of this. Let’s be clear.

Even at the club level, you should not want my view on the specific issues involving these agencies and their political purviews. There are others far more informed than I am. However, if you are trying to figure out the earnings-per-share gains that could come from these changes, trying to figure out the revenue accelerations, I’m your guy. I’m not ashamed of it. I’m proud of it, which brings me full circle back to the portfolio, what I see happening now. We’re in a period where I still believe that because of deregulation, not repatriation, not a change in the tax code, not the 500 billion dollar Make America Great bonds that I want Trump to issue to rebuild our infrastructure including the airports as he’s talking to today.

We’re going to have companies expand faster and hire more and bring people back into the workforce in a way that will make housing and autos stay stronger than you think and will ignite the big job creator, commercial construction, which has been dormant for a decade. We are actually going to have an economy that’s got some turbo charge to it. I think that small businesses which have been drowned in red tape throughout the Obama administration will be unbound. Small business people will do more hiring. Therefore, I think it’s possible we could get to maybe 3 to 4 percent GDP growth, barring Trump just declaring that China’s a no-business zone, which sadly is always a possibility.

I know from my dealings with his people that he is willing to sacrifice the earnings per share that companies get from China in order to prove the point that China can’t bully us around and on this issue his bite could be as bad his bark, which is why we have been less aggressive with industrials. I don’t know if you caught my interview with Jeff Immelt last night. He is sanguine about this. I’m not. Looking back, though, the level of caution that we’ve had about the industrials has not paid off. Maybe it will someday and we have the cash to be ready for it but it turns out that Trump is so friendly to our businesses that he seems reluctant to take a meat cleaver to them where he could and instead seems proud to have saved a small amount of money from redoing some government contracts.

He’s proud of cutting the budget deficit by less than a billion dollars. I say that means you can probably own Lockheed Martin if that’s all he’s satisfied with cutting. I think the portfolio we’ve crafted right now takes a unique advantage of both the deregulatory side and the growth side of the economy. We have shares in companies that will benefit from resurgence in growth and ones that have suffered from over-regulation. Now, some of our positions would seem counterintuitive to the boost that the economy might get from
deregulation. That’s where another part of my worldview fits in. I think the economies around the world are getting better. Take a look at the Cummins number today, the engine company. This conference call tells you what’s really going on. I think there’s growth in all sorts of places so what is that fantastic for? How about HP Enterprises, big GDP.

How about Cisco and for NXP which remember we decided to hold on to because with or without the Qualcomm offering we think it trades to 110. I don’t know if you’ve noticed, not up today, but it’s been going up as people realize it could win either way. Now, this all goes well for another company, Dow Chemical, which I think we will eventually see its deal with DuPont close because as we told you yesterday on Bolton some changes are being made to make it so the regulars will be happier. I like NXP and I think the Dow would actually trade higher if the deal were to break down. Yes, the earnings power is that great for the chemical maker when the economies get better.

Remember, though, these are situations that again don’t need Trump and don’t need Congress to get along. Something I am stipulating isn’t going to go as smoothly as many thought but doesn’t have to break up the momentum of the bull, given that the world’s growth has turned higher, few seem to have noticed and we get deregulation. The rest of our companies, as you know, from our Boltons and round-ups, which you always have to check, that’s where we rate things, we tend to change our ratings too remember on Friday nights, tend to have special situations going for them, whether it be a Newell trying to rationalize through the merger with Jarden, I am not concerned now about the stock, it represents deep value at 45-46 or Starbucks tried to get around its mobile pay issues or Panera which you saw the fruits of just yesterday. Panera 2.0, which we have waited for. The stock was up 18. Hopefully Starbucks is in communications with Panera to fix their mobile ordering place.

Now, I like Arconic. I will tell you this weekend if it keeps up these pricing, we will probably downgrade it because it has moved so much but I like it because it’s in the very positive crosshairs of a proxy fight and that’s going to be positive because Elliott’s going to keep putting pressure on them and you know I talk to both sides and I like Costco. Look at that stock today, up 2-1/2. It’s benefitting from the big credit card change, the switch from American Express to Visa. Something that the Street underestimated as a problem that would only dissipate as it has just this last month or how about Danaher, which is just starting to profit from the spinoff of its slow-growing industrial business. We kept thinking if it would go lower, we could buy more, haven’t had a chance. If we get weakness in Danaher, we’re going to pounce.

What do you think about Allergan here, up another 5 today. What can I say? When I sat down with CEO Brent Saunders last night, I heard a story of blockbusters galore with a stock that’s cheaper than the average 3 to 5 percent grower of Big Pharma and it could grow twice as much as that bracket. Allergan’s a buy even up here, even up 8 from yesterday and up another 5. GE, probably one of the more problematic positions we have. If you saw last night’s interview with CEO Jeff Immelt, he promised some pretty great numbers for 2017, but I am nervous he can’t deliver as you could tell from my line
of questioning. I think that Jeff’s got to take out more cost or he’s going to be at a challenged position as CEO, not as great of a shape as Klaus Kleinfeld is at Arconic but certainly in a position to have to make bigger than he has...he has to trim the huge overhead of that company.

They’re just not making much money on their sales. The 3 percent yield will continue to tide us over until one way or another things are fixed, but I was disappointed about that quarter and disappointed about Occidental. Second quarter, by the way, again, not today but you know we’ve downgraded them. Last but not least, there’s our higher growth techs, Facebook, Alphabet, Adobe, and can we say Apple in the not-too-distant future because of that service revenue stream you know I like so much. It’s going to be so terrific.

By the way, those stocks go down on days when interest rates go higher, understand that because these have fabulous secular tailwinds that won’t go away and could accelerate with the help of more well-run growth but money flows out of those stocks and into the faster, the cyclicals on days like today when rates go up and of course the banks, but these stocks, the Facebooks, the Adobes they need to be bought on weakness. Before we get to your questions, I want to spend some time on the mistakes. I think you can always learn from your mistakes. It’s something that I’ve thought of from when I was a broker at Goldman and a hedge fund manager. I want to look at these because this is how you and I can learn and because nobody else ever really goes over mistakes.

The guys on TV they never make mistakes, you never see them, right? But I don’t mind because this is the club and I can talk freely in the club. First there’s Visa. This is really important. It’s a high-quality problem. We sold too soon. We left 6 points on the table even as we did make money. Why did we sell? We sold because Charlie Scharf retired and Charlie Scharf was Visa to me. I have more than 35 years of data that shows you should not own shares in a company where it’s the first year of a new CEO. So we took profits, not recognizing that the hand Charlie gave out Kelly was a heck of a lot better than we thought. We would do it again though because of how many times I wish we had otherwise. I mean think about Occidental, think about it, when Jason left, Howard came in we should have sold, my bad. I didn’t repeat it with Visa, mistake. But you know what? It’s a mistake sometimes you have to make.

Second is Apache as I said I would mention earlier. No, I don’t like that we were buying it on the way down. The stock’s weaker again today. There’s a big seller out there, but you know what, I am urging patience, patience like we had in Panera, okay, think about that. I’m urging patience because the story hasn’t changed. Price of oil has but we were too eager. We apologize. We tried not to let it happen again but with a portfolio of 29 stocks it is going to occur. I was too eager. Finally, there is Newell. We got to talk about this. Mike Polk is always on Mad Money. Now, I didn’t anticipate the decline in the mall occurring at this breakneck pace and that’s where they sell their goods. We were watching this one very closely. We’re glad we bought some at what looks to be the bottom, but we recognize that the retail environment is going to make it so the stock
probably can’t get to the 60s, which was our hope at one time. No reason to give up on it now, though.

Now, I promised a new name here and I’m giving you one, we don’t have a drum roll on the call, but it’s an old favorite of Mad Money viewers that I’ve been waiting for a price break in for ages to get into and own it for the club and we’ve got that price break admittedly not today, okay, it’s doing better but on light volume and the stock is Snap-on Tools, symbol SNA. This is a 10 billion dollar company that recently reported a quarter. I always speak to Nick Pinchuck, who’s the CEO after the quarter, and I thought it was a great one. It had much going for it. Why?

Because this is a company that its chief cash cow is the diagnostic tool business. That’s where they make the real money. Now, what happened? The stock had run in anticipation of a better-than-expected quarter. That’s happened almost every time and when we got one it wasn’t enough. Profit takers crushed it. There were some lines that weren’t perfect, of course, but I haven’t seen this stock 15 points from a tie in ages. Snap-on is a technology company that is a play on the increasing semiconductor content in the automobile.

Yes, internet of things as well as a play on deregulation of the body shops that are the classic customers. That is a huge, huge, huge part of their business. It’s also frankly a winner in a potential reduction in corporate taxes. It’s also an investment in a classic American manufacturer, the kind Trump likes that usually is embedded and actually is embedded and made here. We’ll have more later in a separate bulletin, but all I can say is at last we have a chance to get into Snap-on, SNA, after years of waiting for the stock to have a few down days. Nick Pinchuck is a terrific CEO and their tools, there are none better.

So once again, stay tuned for changes that are going to be made to help us move out of the desktop stone age. Stay connected to by us by our forum and by email and with that we’re going to take some of your email questions and we get a lot of them. I do my best to be able to get them and answer them, but remember we’re a club format. I like best to be able to get them all at once so you can get the answers all together on our conference call. And we’re going to start with question number 1, Can you explain why AAP buys some holdings where the street ratings has the stock listed as a sell? Apache, for example. Hey right now they’re right on Apache.

Okay, listen to me. We bought the street ratings years now. It was a part of a settlement with this...remember the Spitzer settlement? It was one of those things where we were supplying brokers. They had to have a second set of what they regarded as being non-subjective research given to you as part of the Spitzer settlement, so we bought this. It was given to you if you were a Merrill customer, a lot of other customers, and we kept it. Obviously it is a quant product. It’s all analyzing certain figures, cash flow, all sorts of different price to sales, but it’s not catalyst-driven and we’re catalyst-driven.

We think that Apache is going to rally big once people realize about the permit. We
could be wrong. We could be wrong. What I’m saying is that that’s a black box quant product and we are a catalyst-driven fundamental product and we are often going to disagree. This is a case where they can have a buy of something, we can have a sell. They can hate what we like. It means very little to me. Look, I enjoy it. I look at the product and what they upgrade and downgrade but remember what we do. We’re catalyst-driven, we have done our own homework and they can disagree with us just like you might disagree with us but anyway that’s that question.

Next, how should a new AAP member start investing with your portfolio? How do we balance your winners versus losers? Okay, first you want to look at the roundup of what we have as a 1. I like to always say to people, do you know what these companies do? Could you explain them? Obviously we’d give you ample information about what they do but pick, don’t start with more than five, okay?

Five is about all that I think that you should really start with, get your toe in, don’t buy them all at once and winners versus losers, I mean right now, okay we’re down on some stocks, we’re big on other stocks. It really doesn’t matter. It matters where the stock is going to. I mean would I buy Facebook right now? We just had a 10-point run on Facebook. Would I buy Apple right now? Yeah. I would buy Apple, okay? But that’s not the point. What I’m saying, go through the 1s, get the ones that are comfortable with you. If you think that they’ve come down and we are really pounding the table, you read the bulletins, we’ll tell you whether we’re pounding the table. That’s the ones you should start with.

Next, looking at the political risk, should the small investor remain on the sidelines? What AAP positions could be hit the most? Okay, this is a great question. No. I absolutely do not want you on the sidelines. I would not be saying, listen, go buy Snap-on. What I want you to do is recognize that the political risk has far more to do with this border tax, which would hurt the retailers. I was going to mention TJX because we are still busily working about whether TJX would be hurt by the border tax because they import a lot of stuff. We know Costco imports a lot of stuff. That could be if they get that, if that goes through Congress, it could hurt all retail, okay?

So that’s definitely a political risk. We have industrial risk and you heard GE last night if you watched Mad Money, he’s telling you don’t have that risk with China. I got to tell you I am concerned about China but no, I think the political risk is far less than people think from the point of view of the fact that the companies we’re buying are in sync, often in sync with what Trump wants. I mean I’m not going to freak out over American Electric Power, okay, talk about we had that as utility and I didn’t really emphasize it only because it’s a situation where, it’s large in coal and natural gas, fossil fuel, well is that a winner or a loser under Trump? Take a guess.

Next question. Given that consumer behavior dictates a huge component of US GDP, is it fair to say that what is deemed good for the American worker, that is the border tax, is most likely going to cost that same American worker that much more to buy higher prices? Okay, border tax is very bad for the American worker. All prices would go up.
Remember what Trump’s trying to do. There’s 317 million Americans. They would all have to pay more if we have a trade war that we answer to. Remember, Trump says we’re in a trade war. We don’t do anything, but what we put tariffs up, everybody’s going to have to pay more and in return we’re going to create maybe 100 thousand, maybe 200 thousand manufacturing jobs, so the people who get those jobs are going to be thrilled. The tariffs is a game of chicken.

Will these countries actually retaliate? Now, Mexico’s my biggest issue here, and the reason why Mexico is such a big issue is its currency. Now, yes, it’s true. Their currency, the peso, was knocked down by Trump himself, but remember Europe is keeping its currency down. Japan has…well, ultimately with their financial situation they’re going to be meeting with Trump but they take business from us because of their cheap currency.

Mexico is a conundrum. I mean I totally understand what the President wants to do economically with Mexico. He wants to make it so that if you’re BMW -- don’t build that San Louis Potosi factory -- you build it in South Carolina and I think that’s right but I also recognize that you got incredible currency of 20.5 to 1. It was 4 to 1 when NAFTA was started. The workers cost about 2-1/2 dollars an hour to 22.50 for the cheapest worker in America for cars. There’s no really light pollution control rules. There is…let’s just say free health care. That’s not bad. No pension. Absenteeism nil. So yes, if you’re BMW you want to be in Mexico. The President is trying to change that.

Next. Can you discuss the different business models of MMP, APA, and SLB and why a portfolio can hold each of these names? Well, this is a part of the deregulation thesis. Magellan Midstream is a terrific situation if you’re going to allow pipe to be built everywhere. You saw what the President just did with Dakota Access. The Army Core of Engineers was against it and Obama was supposed to be on the honest broker boom, they’re in favor of Dakota Access, will go through Atlantic Sunrise, will go through, somebody’s going to help the natural gas companies. Well, so Magellan Midstream has got to build a lot of pipe out of the Permian. It’s perfect for them.

Schlumberger is literally a case where if you’re going to permit more drilling all over the place, Schlumberger’s going to be a winner plus if oil goes towards 60, there has to be this…there’s a thing called…the oil companies, their wells go down, right, they just each year go down and they have less they got to replenish. You need Schlumberger and Apache is a play on the Permian and cheap oil. That they can make a lot of money on it and so those are all different. The MMP by the way is the one that pays the good yield. Schlumberger has got a big buyback and Apache is more speculative.

Let’s go next. There appears to be significant political tailwinds behind the pipelines and MLPs. Does it make sense to spread the potential risk by owning several names such as MMP? I chose this question because I do have one that you can if you want to be in it that I would recommend and it’s a thing called the IMLPX, let me just get this, IMPLX and this is a company it’s called MainGate MLP and that’s an amalgamation of the MLPs if you decide that you want to do that rather than pick the best, which is MMP,
then you can do IMLPX, MainGate MLP fund.

Next. Can you address your current view on Arconic and the proxy battle at Elliott Management? Is it time to take profits? This is a really good question. As I said, what we’re going to do is we’re going to downgrade Arconic from a 1 to a 2. Why are we going to do that? Because when you have a stock that just went from 17 to 27, now it’s almost 28, well that causes us to think do we want to start a new position there or wait for pullback? A lot of this is because Elliott always gets its men.

Elliott’s amazing. They’re an incredible company. They just are dogged. They fight hard. They do everything they can and they want Klaus out, Klaus Kleinfeld, the CEO and they have a guy who did a tremendous job in another company that did a lot of aerospace, they view this company like precision cast parts and they are not going to stop until they get their guy. Can they win? They have a couple big shareholders. They need to appeal to the big what I call the index fund shareholders in order to be able to win. More importantly, they’re going to keep putting pressure on, which is going to make it so that Klaus has to do more and more and more to satisfy them, which makes me like Arconic but once again the stock is now almost at 28. So we’re cognizant it’s moved a lot. You will see the downgrade this weekend. Remember, you always have to read the bulletins and you have to read the roundup.

Next, how should we approach Allergan’s recent rally, especially when a potential regulatory concern in the space? Do we on or capture some gains? I did a piece for Real Money today. That talked about this because I had Brent Saunders on last night. Brent is developing blockbuster drugs, new drugs. He thinks he’s got 13 billion in new drugs. There will not be a lot of...he knows the guy who’s going to be HHS pricing. There’s not going to be a lot of contention about drugs, new drugs that solve needs that save lives. There will not be a lot of contention about pricing those. The pricing has to do with old drugs where they jack up the price and there’s no new innovation.

That’s what the President’s mad about. Allergan, it took the money from TEVA, they got 40 billion when they sold these generics at the absolute top and they bought a series of companies that have NASH, they have a drug against NASH that’s a non-alcoholic liver problem, a central nervous system drug that could be very good against depression and suicide, which is an epidemic in this country. They’ve got a macular degeneration drug. Right now the standard is the Eylea drug. That’s from Regeneron. The sales were a little bit weaker on there for that line but Regeneron stock is still going up 9 and the drugs are doing well today and what I got to tell you about is that macular degeneration they would stick a needle in your eye every 12 weeks instead of every month, tell me that that doesn’t take share from Regeneron, from that 3 billion dollar franchise.

So they’ve got new franchises, they bought back a ton of stock, good balance sheet, great executive, stock’s up another 5. It’s at 246. We bought some lower. We told you that lower was good but we do think it can go much higher. Can it go to 300? Yeah. It would be valued the same as some of the other pharmaceuticals if it did.
Next question. Starbucks, it continues to move sideways. Can you discuss the outlook in the context of its recent earnings? Okay, Starbucks has a high quality problem. It’s the problem that Panera had. They have mobile ordering which is loved, okay, but they have not addressed the mobile ordering at the actual physical plant. There’s one register. There’s only milk steamer. You come in and there’s a lot of people waiting and you’re waiting in line and those guys look like they’re cutting and it’s hurting the same-store sales in America, the domestic, it just keep going down.

They know there’s a problem. They have to solve the problem. We are going to give Howard Schultz and Kevin Johnson, we are going to give them because they’ve earned it, it’s been a great stock since Howard Schultz came back at 7 and we’re going to give them the luxury, we’re going to let them have the time to fix it. They have assured me that they are going to fix it. All they have to do is go listen to the Panera conference call, well, Ron Schaich on the call, who’s the CEO talked about the idea that they’re sitting at Braintree which is one of their stores, watching the problems, they can fix this. They can fix this at Starbucks. We’re not to give up on it now. It’s another GE where I feel very tentative about it because Jeff Immelt hasn’t earned the loyalty that Howard Schultz has, but we’re not going to dump Starbucks. We’re not.

Next. Can you discuss the Citi investment thesis compared to JPM, especially when Citi recently is selling their mortgage service business? They were never an expert in mortgage servicing. The reason why I like Citi is because the book value is 64 dollars. They can buy stock and it is accretive up to 64. Mike Corbat’s doing incredible turn around. They have the most capital, over capitalized of any of the banks. They did flying colors on the tests and most importantly if we get to deregulation that I think’s going to happen they’re going to be in there buying every single day. I wish, I know we sold stock at 60. I was too cheery and not pulling the trigger back at 56. If the stock goes down, we will be a buyer. It’s at 57 now. Yes, you should do it. JP Morgan’s terrific and if JP Morgan we get three rate hikes, bingo, they will make a ton of money. Four, they’ll make 3 billion extra. I like JP Morgan. I like Citi more.

Next, can you offer your opinion on the NXPI tender offer by Qualcomm? All right. Qualcomm’s a really challenged company and they’ve done a lot of stuff that is dislike by Korea, disliked by China, disliked by Apple, which is geez, the largest customer. Now, Qualcomm says, listen, how could Apple bully us, it’s the largest company in the world, I mean how could they be bullied, Qualcomm be bullying Apple because Apple’s so powerful?

Well, the answer is it doesn’t matter. What matters is that Qualcomm’s a cell phone company and NXPI is an internet of things company. They need NXPI. They need it but if the deal breaks up, it will be like Avago, now Broadcom. The stock heads through 110 so I think that we need to wait. Whether you’re tender or not, it doesn’t matter. What I think is going to happen is NXPI is going to go higher. Now, we typically do not hold stocks after they get bids. This is the exception because it’s worth more than the bid. It has kept me from pulling the trigger on other semis. I regret that including Broadcom. Nvidia’s too hot for me now. You probably want to know about how I feel about Nvidia
but it still can go up but to me Qualcomm’s going to come through with this deal where NXPI wins either way.

Next question. In general when you speak about a pullback, how much of a drop is needed to add to position? Is it stock-specific? No. I think 3 to 5 percent qualifies as a pullback for me, 5 to 7 percent next level to buy. Remember, we don’t like to buy all at once but 3 to 5 has been my shorthand way. Why? Because again what are you getting from the club? Okay, I started trading stocks in 1979. I am just a companion. I used to keep a box of…go read Confessions of a Street Addict.

I used to keep a box with all the bad trades I made, all the bad trades and what they tended to be all the different reasons and I’ve listed all. Maybe I go back and do it another one day but in Real Money I talked about it. What they are is the kinds of things where I waited 1 percent down or 2 percent down. I liked 3 to buy if you have 500 shares or 50 shares, 3 you buy 10 more, 5 down 10 more, and then 7-10 okay get it up to 100. That’s how I like to use it. It’s really important you recognize the fallibility of yourself, the fallibility of me but that’s my rule, 3 to 5, stood me well.

Next. Is now a good time to buy Apple? I mentioned yes. All right. Now, look. Apple’s become a momentum name again. Remember, 93 Tim Cook came on Mad Money, played out a case. Everyone said it was one of those times when the let’s just say the greatness had passed, that Steve Jobs took the greatness, that the best days were behind them. That’s what everybody said. And I said, no, what you want to do is own Apple. Don’t trade it. Okay, here we are. We’re now up 35 points from then so actually 37. So look, so we have to understand the stock’s had a major move and remember it’s the biggest cap company in the world but I will tell you, Bruce Kamich did some paperwork here for Real Money, by the way go and check his charts, this stock’s about to take out a top. It is not expensive. It sells at 13 times earnings back out to cash it’s ridiculously low, 40 dollars a share in cash overseas.

They can repatriate that. They can add to that service stream, which is going to be as big this year as a Fortune 100 company and it’s going to double out four years. I say Apple you buy some and then you wait. Hopefully we get this correction. Remember we always want to be in a situation where I say hopefully that’s not high. Hopefully means yes, I bought some, I bought some Facebook at 133, I hope it goes down to 128 and I can buy some more. So be aware that we actually look forward to when our stocks come down. Obviously you want to make money every single day but if you’re trying to get bigger in the stock, well a sell-off’s a good thing.

Next. You often speak to the FANG stocks. When would you add Amazon or Netflix to the portfolio? Look, you know I love…Amazon I talked about last night. It’s absurdly valued but it is an unbelievable franchise. Netflix is just what can I say, that’s a market capitalization stock, had it dropped, I think it would have gotten a bid but we own Alphabet, which is the G, Google and we own Facebook and you’re not diversified if you don’t own all four of those and we think we own the two cheapest because Facebook’s 22 times next year’s earnings and Alphabet is 20 times next year’s earnings. Amazon is
much more expensive and Netflix is much more expensive, difficult to justify the valuations.

Next. Do you believe the Snap IPO posts a risk for funds to flow out of Google into Facebook? I’ve spent a lot of time on Snap. Snap has really done quite poorly ever since Facebook started stories. I think that there’ll always be some money coming out. It will be a sliver deal. They won’t put that much stock out for sale. If Alphabet or Facebook goes down after that deal, I will pound the table and tell you to buy it. We have any more questions? What is your recommended allocation for a newly retired couple when taking into consideration rising interest rates and the lower relative value of bonds and bonds proxies?

Okay. This is a really important question because one of the things you have to do and I think this is major is know yourself. Like I believe that when I got into business, the longevity was much shorter than it is now. I think that stocks with good dividends are still a good buy. American Electric Power, Magellan Midstream, these both work for me. They’ll work for you. You want to go much more toward the income part of the portfolio. We make it clear which is the income part of the portfolio and you want to do that. You want to keep some money on the sidelines more than usual because you’re right, interest rates are going to go up if I’m right about the 3 to 4 percent growth in GDP and interest rates are going up now today. It is interesting. I’m going to probably talk about this tonight, that when rates go up it’s a rising tide. I mean rates go up, we’re actually seeing growth in…we’re actually seeing stocks like the consumer packaged goods stocks go up. Interesting. I’ll have to try to noodle on that after we’ve done the call.

Final question. What is the best way to buy physical gold? Will AAP invest in gold? We did at one point own GLD. We got out of it. Yes, I don’t mind as insurance. If you want to buy bullion, you want to store it in a bank, not in your home. We don’t have gold right now, we see a lot of opportunities away from gold. Perhaps we should buy it at one point but I do think that we have better stocks right now than anything that will be considered the GLD or even Randgold, which you know is my favorite gold stock. All right.

So once again, what do we want to do? We want to stay tuned for the changes that are going to be made to help us move out of the desktop stone age. Stay connected to us by our forum and by email and I’ve got to tell you, I want to really emphasize this. What you’re going to see you is something that I’m working on to make the site better. I have hated it. I don’t have control but I have pushed and pushed and pushed. We have to make this mobile so when you get the alerts wherever you are, we have to make it mobile because that’s how people get information. People like me, we still have these desktop things, see. I hate them. We’re going mobile. Stick with the club. Thank you so much.