Interviewee:  **Michael Aronstein**

Title:               **CEO**

Company: **Marketfield Asset Management**

Interviewee 2:  **Joe Cusick**

Title:               **Senior Market Analyst**

Company: **OptionsXpress**

Interviewee 3: **Larry Fink**

Title:               **Chairman & CEO**

Company:      **Blackrock**

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Interviewer 1: **Carol Massar**

Interviewer 2: **Julie Hyman**

Interviewer 3: **Dominic Chu**

**Carol Massar**

Thank you.Michael Aronstein is the President of Marketfield Asset Management. Great to have you back.

**Michael Aronstein**

Thanks for having me.

**Carol Massar**

So how closely do you watch these jobs reports, these data points that we get?

**Michael Aronstein**

Not too.

**Carol Massar**

Not so much.

**Michael Aronstein**

Not too closely really. I’ve looked into how they’re compiled and it’s really an estimate of a guess.

**Carol Massar**

So they’re not reliable then?

**Michael Aronstein**

Not reliable enough…

**Carol Massar**

Or not really accurate.

**Michael Aronstein**

…to utilize, plus it’s public information that really is pretty efficiently absorbed by the other two million people that are looking at it. So I don’t have anything to gain from it, really. I mean, I’ll look at it, but not with an eye toward reacting to it.

**Carol Massar**

It’s not going to change strategy here.

**Michael Aronstein**

No, not at all.

**Carol Massar**

We’re going to talk more about those strategies, but let’s just walk everybody through the closing bell on this Thursday, March 3, and we’re pretty much closing at our best levels of the session, folks. So check out the trade here on this Thursday. For the S&P 500: 1330, up 22 points, up 1.7%; not too shabby. And as for the Dow Jones Industrial Average, nearly a 200-point gain here for the Dow: 12,259, up 1.5%; and the NASDAQ, once again as we often see, the outperformer here on a percentage basis. That average good for a gain of 1.8%, up 50 points at 2798. I also want to bring into our discussion Joe Cusick. He’s senior market analyst for OptionsXpress. He’s at the Simi Group out in Chicago. So, Joe, nice little rally here, but yet again, the volume’s not really strong here so do you blow it off?

**Joe Cusick**

I don’t know if you blow it off, but Michael said you look at some of these numbers and they’re not going to weight into a long-term perspective, but for us down here in the pits, these are numbers that can really spike some volatility. We saw it last week with the Mideast and now with the ADP number and the claims numbers coming in so bullish right now, we’re really kind of sitting right here and that’s why volume was light today. S&P’s at 1332 is a mark that we’re going to watch very closely going into tomorrow—overnight and into tomorrow—because we want to see if the shorts come in like they did on Tuesday. Tuesday was a day, if we were talking right now, my sentiment would be much differently than it is today going into these reports. So these reports for our short-term traders are very important.

**Julie Hyman**

Hey, Joe, it’s Julie here, but at the same time, I mean, given the rise that we’ve seen in oil prices, given the situation in the Mideast and some of the other sort of shocks to the system, stocks have performed pretty darn well, even if you have had some volatility. So even if you get a bad print tomorrow in the jobs numbers, is it going to be enough to derail the long-term rally we’ve seen?

**Joe Cusick**

Well, you know what? I don’t know if it’s going to be enough to right away derail the long-term rally, but it’s going to start to question things like: is inflation coming a lot faster? We’ve seen a lot of the activity—and Michael could definitely chime in on this one—but it also is: is the consumer start to feel the pressure if inflation is continuing? And us as traders, you got to look out and forward and basically if we do see that and if you look at volatility going forward, it is much, it is estimated much higher than it is right now at this 19 level, 18 level. It’s out in the 22 to 23 level out into the Fall. So we’re anticipating some potential here, and could it derail? I don’t think it’s going to derail it in the next quarter or two, but year-end, there could be some pressure.

**Julie Hyman**

Mike, you know, so many things to ask you here. I mean, in terms of the run-up in commodities, is it going to get to the point where it’s kind of out of hand and it could derail the economy in your view?

**Michael Aronstein**

I don’t think it will derail the economy, but what it does is it redirects the income streams within the economy. Obviously, if you’re a farmer and you’re looking at $8, $9, $10 corn, it’s really like having a printing press in the basement. That’s a pretty sporty price. But if you happen to be an animal feeder who’s buying it, very hard.

**Julie Hyman**

Are you starting to make any investment adjustments based on your inflation expectations?

**Michael Aronstein**

No, I mean we routinely try to invest in things that we believe will inflate, where the price will go up. I think the term “inflation” is a very, very imprecise term that’s used by central bankers or economists.

**Julie Hyman**

And such a negative connotation.

**Michael Aronstein**

But, yeah, and without really defining what they mean by it.

**Adam [last name?]**

Hey, Michael, it’s Adam, Brockhouse Cooper Bank America. Today they’re saying you got to buy fertilizers. Monsanto, they, of course, do the engineered seeds. Are these names you want to own, or are you buying any of these?

**Michael Aronstein**

I don’t own them. I did a couple of years ago. This has been a pretty longstanding trend and my worry is that you’ve got a lot of investment and speculative money pushed into the commodity space now. It’s been prompted partially, this leg, by the QE policy and partially by, I think, a 10-year trend that people have recognized, and it’s led to a lot of institutional allocations. And whether or not this 10-year trend turns into a 12-year trend, I really don’t know, but it’s certainly—in terms of the whole commodity space—it’s a story that’s come 180 degrees from where it was in ’99, 2000, 2001.

**Carol Massar**

Interesting and I think somebody who might be a little bit more worried about the longer-term outlook for stocks right now is Blackrock Chairman & CEO Larry Fink. We talked to him earlier on Bloomberg Television. He kind of gave us his impression of the market. So listen up everybody.

***Larry Fink***

*I believe the market has shifted. It’s shifted from pretty much euphoria from probably August through, you know, late January, and now we are at a moment in time of reflection, and I think this period of reflection is going to be sustained for some time. I’m more worried about equities today because of all this uncertainty. I said five, six months ago, our economy is better than we thought it is; and today, I would argue we think the economy’s better today than it actually is.*

**Carol Massar**

Joe Cusick and Mike Aronstein, I want to get both of your thoughts. Joe, you could get off. What did you think about what Larry Fink had to say?

**Joe Cusick**

I would have to agree with him. I think that right now, looking at where the markets have gone, this grind up, I think that everyone has a sense of euphoria and this market can get fickle, but a sense of euphoria that as a trader, I look at these levels and how we’ve ground up so far so fast over the last couple months with very little resistance whatsoever. It does get me a little bit leery.

**Carol Massar**

Are you leery though at all, Mike, because you’ve been pretty upbeat for the last how many months? A long time.

**Michael Aronstein**

Yeah, for the last couple of years we’ve been pretty aggressive in equities. And I’m more concerned about it now. It’s not, there’s not a consensus on the other side as there was in ’09 and at the end of last summer when people were worried about a double dip. I do think the upheaval in the Middle East over the past couple of weeks has really thrown the fear element back in and it’s scared some money out of the markets and it hasn’t been good for us. I mean, I can tell you, I don’t have a portfolio that’s built for $120 oil. I learned that very dramatically.

**Carol Massar**

Do you think that’s going to happen?

**Michael Aronstein**

I don’t know. My instinct is: not now.

**Carol Massar**

So you’re not positioning to get ready for that at all?

**Michael Aronstein**

It’s not something that’s, I think, predictable, and certainly not by me and not in a way that would help our allocation to capital assets.

**Carol Massar**

Joe, I heard you chuckle. I mean, are you guys out there in Chicago, anybody preparing for $120 a barrel oil?

**Joe Cusick**

Oh, you know, we’re always preparing for the unexpected, but $120 barrel of oil sustained right now is not something that we’re preparing for, but we are preparing for the potential for volatility. And I mean, you know, Michael was bringing out an excellent point, which is we’ve seen sentiment go from such an exuberant point to now this moderate level, and really, there is no consensus either way except for the fact that the fundamentals have been lining it up, but $120 oil is not something that we’re anticipating long term right now.

**Carol Massar**

You know one thing we’re all anticipating is tomorrow’s monthly jobs report and, Joe, I think you mentioned it a little bit earlier. Dom, I want to bring you into this. I mean, what could jobs mean for stocks tomorrow?

**Dominic Chu**

Let’s get you up to speed on what the consensus estimate is. It’s 196,000. That’s the headline jobs number everybody’s going to be watching for. But we got some good signs: with ADP early this week, with the claims number today. Also, something that’s interesting here if you look at what happened, the ISM non-manufacturing index came out. Remember, it makes up around 90% of our economy by some estimates. Check out that chart there. What that’s showing you right now is that the employment component of services in this country are at levels that we have not seen since the spring of 2006. That’s a huge number. So the jobs picture could be improving pretty well. So maybe, Joe, I want to toss this out to you right because if things are getting that good here, is there a risk to the upside or downside or is buying protection here pretty cheap in case something does happen that goes terribly wrong?

**Joe Cusick**

That’s a great point. Buying protection right now is cheap and it is definitely something that investors should be looking at, especially if you are completely vested in this market, or highly vested in this market. We haven’t seen these levels in a long time as far as that put premium being so inexpensive. It is definitely a great opportunity right now to hedge going forward.

**Carol Massar**

All right, Joe Cusick, thank you so much. Mike, I want to give you 20 seconds here. So jobs report not something you really focus on. What’s more important do you think for investors to kind of keep a watch on, just quickly?

**Michael Aronstein**

Business results, which have been extraordinary.

**Carol Massar**

Corporate profits?

**Michael Aronstein**

Yeah, US manufacturing is really the leading component of this recovery.

**Carol Massar**

So watch that.

**Michael Aronstein**

And I would just keep an eye on that because it’s a leadership that we haven’t seen for decades.

**Carol Massar**

Right, we got to run. Mike Aronstein, everybody, we’re back in a moment.

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