

Interviewee: **Michael Shaoul**
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Interviewer: **Betty Liu**
Interviewer 2: **Jon Erlichman**
Interviewer 3: **Dominic Chu**

Betty Liu

Well, we just had that breaking news that the International Energy Agency is releasing their oil stockpiles, the third time by the way that they have only done this since they were created in 1974. They are releasing 60 million barrels of oil, again, from their stockpile, some of that due to the concern about the high price of oil owing to what we have seen, you know, this ongoing conflict in Libya, and the reduction of about 1.5 million barrels a day from that conflict. I want to bring in Michael Shaoul now. He joins us, he is the chairman of Marketfield Asset Management, and he oversees \$1 billion in assets. Michael great to have you back on the program.

Michael Shaoul

Thank you.

Betty Liu

Jon and of course Dominic joining us as well. Let me just get your reaction first to these headlines that the IEA would be releasing stockpiles now.

Michael Shaoul

I think it's unfortunate timing for the oil market, which already looked weak. I mean, crude oil before this announcement was already--

Betty Liu

Was going down.

Michael Shaoul

--\$20 from its May peak. It had all the signs of a crowded trade which was unwinding, we're coming into the end of the quarter; I think the last thing you would want to see if you long crude oil is news that there's a lot more physical supply coming on the market.

Jon Erlichman

Can I take the reverse side of that? I mean, for them to come out with a surprise announcement, you know, from several people I have spoken to this morning say, look, there must be a concern about a shortage here. Obviously they are talking specifically about Libya and the concerns there, but that could arguably be a bullish sign for oil too, could it not?

Michael Shaoul

It could if the price was really being set in the physical marketplace. It's our belief that you ran up when Libya first had its problems from \$95 to \$115 without anybody thinking about it. You had already priced in significant supply disruptions, they haven't happened; now all anybody knows is that crude is down \$25 and counting, and there's more physical oil coming.

Jon Erlichman

And, well, it's not just that guys; remember, Fadal Gheit over at Oppenheimer told us not too long ago that he thinks the fair price of oil should be about \$85 in the mid \$80s and that speculation really is driving a lot of the price. So Michael, how much of this is really just, like you said, an unwind of a trade, speculators getting out of the market, and getting more to the fundamentals of that physical oil market?

Michael Shaoul

Yeah, I mean I think crude oil looked very, very comfortable between \$65 and \$85 for about two years before you know first quarter of 2011, and I think if it went back there it would be great news for everybody, apart from those who bought when it was \$115, so

Betty Liu

That would be bullish for stocks then?

Michael Shaoul

Yes.

Betty Liu

If we did see that happen?

Michael Shaoul

Yeah, it would be helpful to corporate earnings.

Betty Liu

But doesn't this right, helpful for corporate earnings, obviously for their margins but doesn't this tell you that there's this great disconnect? Yesterday, you had Ben Bernanke talking about how he is not quite sure what's going on here in the US economy, right?

Michael Shaoul

Yep.

Betty Liu

So we are looking at lower demand. And then you've got the IEA now coming out and releasing stockpiles. So you are getting two different signals coming out.

Michael Shaoul

Yeah, but they are talking about two different kinds of demand. I don't think Ben Bernanke was talking about physical demand for crude oil yesterday.

Betty Liu

No, but he was talking about a slowdown in growth, though.

Michael Shaoul

I think the most honest thing he said is he doesn't really know what's going on. I don't think he does know what's going on. I think there's a lot of confusion, a lot of frustration, I think, at the Fed at the time it's taken for the US economy to really get going, but you know if they went back and did their history this is still a very, very normal recovery from the sort of collapse that we had in 2008.

Jon Erlichman

So, Michael, when you look at the world and try to figure out investments right now, let's not forget the IEA is based in Paris, and earlier this week the focus was all on Greece. For those types of economies to recover right now, for the governments to be able to pay their bill, obviously a lower price of oil can be helpful in that process, but do you look at the US and say: I like that market, do you look at Europe: I like that; where are you looking?

Michael Shaoul

We look at the US and we say: yes, we think the domestic economy is still in the middle of what should be a multiyear expansion. We look at emerging markets and we say: you know these are markets which are probably at the end of a ten year bull run and really could be unwinding at the moment.

Betty Liu

And you say we are in the middle of a bull run here in the US, right?

Michael Shaoul

Yeah, I think so.

Betty Liu

And the data to you shows what, that the worst is peaking, or what?

Michael Shaoul

The data shows that economic data is extremely volatile. I think we will look at this quarter's earnings season very carefully. But I would expect this quarter's earning season should demonstrate the momentum is still intact for corporate earnings, and that's ultimately what you care about when you're in equities.

Dominic Chu

Really quickly here, where are, what's the best idea out there right now? Besides just the US, is there a sector, something in particular?

Michael Shaoul

Yeah, I mean, I have a hunch that the media sector is going to be a very exciting place to be over the next couple of years. I could see content being completely revalued by the marketplace. That seems to me to be something, which really, you know, over the next couple of years could be a very exciting place to be.

Betty Liu

It could be worth buying. Interesting.

Michael Shaoul

Absolutely.

Betty Liu

All right Michael, good to have your back.

Michael Shaoul

Thank you.

Betty Liu

Michael Shaoul, the Chairman at Marketfield.

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