

Interviewee: **Michael Shaoul**
Title: **CEO**
Company: **Marketfield Asset Management, LLC**

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Interviewer: **Betty Liu**
Interviewer 2: **Dominic Chu**

Betty Liu

I want to welcome Marketfield Asset Management Chairman Michael Shaoul. Michael is predicting a breakout year for stocks-- and Dom is going to be joining us in a moment. So Michael, obviously this jobs report kind of underpins that scenario then right?

Michael Shaoul

Yes, it's a pretty decent report. It basically confirms what we saw from initial claims earlier this month and the ADP report yesterday, which was somewhat stronger than today's data.

Betty Liu

Right. Do you need, though, to see jobs come back completely from the great recession that we saw in order to see sustained gains and volume come back in the equity market and everything to come back to normal?

Michael Shaoul

No, I think, what economic data really responds to-- and ultimately what equity markets respond to-- is change rather than level. The most interesting numbers that Dom was showing just then was how many jobs a month are we really creating. And he's right, we are creating somewhere between 150,000-160,000 jobs a month, if you use something like a 12-month moving average. That puts us where we were in the first quarter of 2005, which was a pretty decent economy and a pretty decent local equity market. It puts us where we were roughly fourth quarter 1993, first quarter 1994, again the beginning of a pretty decent equity market. So, I think Dom's right, it's going to be at least three years until you get full employment back where employment as it was, at the peak of the last cycle. It might be longer than three years but in a sense it doesn't

Betty Liu

But it's really the change, the trend.

Michael Shaoul

Exactly.

Dominic Chu

Well if you look at what Richard DeKaser was telling us just this past hour. He said that he really wants to see this construction or home building-type sector really lead the way higher. That's going to give him more confidence in the economy here. Are you seeing, or do you find these valuations at all, for homebuilders, the construction business, attractive at these levels?

Michael Shaoul

Well, the most interesting thing is that something is actually happening in construction. It's happening mostly in the multi-family sector. The multi-family sector is growing pretty rapidly again now. Again it's at a very low level, it's still well below where it was 4 or 5 years ago, but it's grown enormously in the last 18 months, and what you're seeing is a lot of rental construction. What we would like to see that then turn

into something of a new home cycle. But that's the one part of the economy, which has been completely absent from this recovery. And I think you're right and your guest is right, it would change confidence if you saw the new home market come back to life this spring time.

Betty Liu

But you have been, then, aggressively getting into homebuilders then?

Michael Shaoul

Yes, we have been entering homebuilding and construction-related equities at this point.

Betty Liu

And also· this is something new for you· you have gone into regional banks now, right?

Michael Shaoul

Yes.

Betty Liu

So what's the case behind that?

Michael Shaoul

Again, the banks which are sensitive to the domestic economy should start to do better. You've seen C&I lending· commercial and industrial lending· grow now for nearly a year. You're seeing consumer credit start to build. You know, the pure banks, which are domestically focused, should be able to participate in a general recovery.

Dominic Chu

Michael, any place that you would be really staying away from? It's early in the year, we know, but is there any place that you just don't want to be right now?

Michael Shaoul

Yes, I don't want to be in emerging markets, I don't want to be in the materials sector domestically, which I think is excessively linked to emerging markets. That's really the place that you want to stay away from.

Betty Liu

Alright, emerging markets then. Michael, it's great to see you again

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