

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

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Betty Liu: **Betty Liu**  
Dominic Chu: **Dominic Chu**

**Betty Liu:**

You're right now looking at a live shot of Charles Dallara, the head of the Institute of International Finance, which represents the bond holders who hold Greek bonds, speaking now in Zurich, Switzerland about the latest on the Greek debt talks. And he did make some comments, saying that about 60% of the bonds that are being held by the bond holders are private creditors, essentially. And that in the coming days, the two sides will continue to work together and that he believes an agreement will be reached, and that their offer- private bond holders offer- was what was consistent with what was agreed upon in October. But as you know, they've been wrangling over basically the interest rate on it, new bonds that are being issued by Greece. Now for more on the markets, I want to welcome Marketfield Asset Management Chairman, Michael Shaoul, joining us. Michael, as you've been hearing on this program, has been favoring the home building sector, recommends staying away from the emerging markets. Dominic Chu joining us here as well. Michael, great to see you as always.

**Michael Shaoul**

Thank you.

**Betty Liu:**

Let me get your thoughts on Dallara and on the Greek situation. What are your thoughts on this?

**Michael Shaoul**

You know, it's a messy political back room deal that probably in the end will be cut. I think that everybody does want to cut a deal. And normally when you go into one of those back rooms you come out with a deal close to the deadline. Not always. Sometimes these things fall apart at the last minute like Lehman Brothers did. But my guess is there will be a deal over this.

**Betty Liu:**

Just like Lehman Brothers. You say it so casually there.

**Michael Shaoul**

I don't think if there was no deal with Greece there would be a default like Lehman. I don't think you'd have the kind of spill-over into capital markets that Lehman Brothers caused. You know, Greece, is not a major banking institution with capital lines into every hedge fund.

**Dominic Chu:**

But it's also expected, right. We've been conditioned over the past- arguably- two-plus years here about some kind of possible default event. How catastrophic to the market would it be if something were to happen with say a Greek default?

**Michael Shaoul**

I think uncatastrophic. I think there would be a bad, short, sharp reaction by the market and then we'd all get on with it. I mean, there's going to be a deep loss suffered by the private holders of Greek debt, whether you have a deal or default.

**Betty Liu:**

My impression, since the start of this year, it seems like even what's happening in Europe, whatever is happening in Europe, has had less and less of an impact on trade here in the U.S. Is that true? Is that your impression?

**Michael Shaoul**

Yeah. I think you've had Euro fatigue. I think it really started near the end of the fourth quarter. I think there's a belief that what is happening in Europe is not having the sort of direct economic effect in the U.S. that people were scared of six months ago, and I think that's correct.

**Dominic Chu:**

Now if you look at that overall picture that means the stage is set possibly for this bull market run to continue. Is there anything right now that you think that could be a derailing factor for that?

**Michael Shaoul**

You know, in the short term things look good. In the medium term, the two things we'd be concerned about would be a back up of local interest rates in the U.S. I do think the long end of the curve is much too low with a ten-year around 2%. That's something we would be looking for and that would take several weeks to play out. And we do expect bad news out of the emerging markets sooner or later. And my guess is we'd be, instead of saying that Europe can derail this economy, we'll be saying that EM can derail this economy later on.

**Betty Liu:**

What kind of bad news are you concerned about?

**Michael Shaoul**

I would look at most of the major emerging markets, particularly India, Brazil, China, Turkey. I mean, there seems to be some tough things happening in the local economies and if this is going to spill over into we think lower corporate earnings and some concern about growth in that part of the world.

**Betty Liu:**

But wouldn't the argument be, I mean, I know there several companies obviously that depend on emerging markets for their earnings. But couldn't you make a case so whatever happens in some of these countries is not going to be that big of an impact to directly here in the United States?

**Michael Shaoul**

I'm sure we will make that case, and I'm sure others will disagree with us, just as we made the case that Europe was not central to what was happening in our domestic economy six months ago. But you know, people see one problem and they like to attach another market to it.

**Dominic Chu:**

For all the cash on the sidelines right now, is this a good time to be putting money to work at these levels?

**Michael Shaoul**

Yeah. I mean, I think with the markets where we were a year ago, better economic news and better corporate earnings. It's okay.

**Betty Liu:**

Okay. All right. Okay. Michael, thank you. Great to see you, as always. Michael Shaoul of Marketfield Asset Management.

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