

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

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Betty Liu

A great time to be an investor, and a great time to be *this* investor. He says it's partly because he's more focused on fundamentals than on the headlines that we see crossing the wires every day. For more, I'm joined by Marketfield Asset Management CEO Michael Aronstein. He has \$2.2 billion in assets under management. Dominic and Josh joining us, as well. Michael, what is working here for you?

Michael Aronstein

Well, I have a good team. And one of the few advantages of getting old is that experience really helps in this business. I've been doing it for a long time. And I think we're very top down, very conceptual, and we've had the idea over the last year and a half that the U.S. was going to be kind of the safe haven in terms of equity markets, and we're long-short funds. So we've basically been long the United States and short the emerging markets, and that really has worked out.

Dominic Chu

But that involves stock picking, or that involves fundamental research. You have to identify what you want to short and why, and then what you want to buy and why. So what exactly are you shorting? Are there industries that are evolving with schemes or perhaps on the long side as well?

Michael Aronstein

On the short side it's really countries and regions and political systems that we've been short. And there are ancillary kind of themes linked to that, particularly the commodity theme, which I think is ending, and I think you're at a long term ending for the whole commodity theme. I think the beginning of the end was in the big spike in oil in 2008, and you spent the last four years kind of getting people more excited about it when I believe the long term supply and demand fundamentals are changing. The industry, at certain price levels, the industry and the world will provide almost a limitless amount of anything. But it takes time. It takes a long time. It's what we saw in the housing market. You know, it took three years, really, for homebuilding to get tremendously excessive to the point where you saturated the demand.

Betty Liu

Right.

Michael Aronstein

So at the ends of trends it's never the demand that goes away. It's the supply that stops the price going up.

Betty Liu

It's not the supply, but the demand.

Josh Lipton

You know, Mike, I know a lot of investors are counting on more rounds of monetary stimulus from central bankers, from the policymakers. So some have moved into gold as kind of hedge against maybe weakening paper money. But you're short the metal. What's your thesis there?

Michael Aronstein

I think the gold has had its day. It's a very good liquidity indicator, gold is. But again, I think you've gone through a period where gold production is going to go up. I think the secondary supply of gold, you know, gold is a commodity that tends to be put in the drawer, the safety deposit box or the vault. I think there's a price here at which the secondary supply of gold is going to begin to surprise people. And you know, the argument that it's a suitable currency that actually can substitute for currencies that currently exist, I don't believe. I think currencies are mostly matters of convenience. And in this day and age with cyber currencies, you know, gold is a very awkward substitute. It really is. You have to move it around. Whereas you could use the Swiss franc if you're doubtful about the dollar. You can select currencies that then be put into cyber form and moved around the world very, very conveniently without them becoming stores of value.

Betty Liu

Without then going into gold. Michael, just quickly, how are you shorting emerging markets exactly?

Michael Aronstein

We're short a number of individual stocks, mostly in finance and some local commodity producers. We're also short some stocks in the U.S. and Europe that are dependent on accelerating demand from, particularly from China, and we're short the individual countries mainly through ETFs.

Betty Liu

Alright. Michael, thank you so much. Really appreciate you joining us. Michael Aronstein, the CEO and Portfolio Manager at Marketfield Asset Management.

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