

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

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Interviewer 1: **Betty Liu**
Interviewer 2: **Dominic Chu**
Interviewer 3: **Jon Erlichman**

Betty Liu

Joining me now is Michael Shaoul. He's the Chairman of Marketfield Asset Management, which oversees \$1 billion. Jon and Dominic also with me as well. The reason why we pulled out that sound bite from Warren Buffett is that I'm sure a lot of people agree with him that, despite what's going on in the macro environment, there's still some good stocks out there. But I want to ask you, Michael, why hasn't the market paid more attention, it seems, to what's going on with the debt debate, with the jobs market? I mean, we've been able to pretty much shrug off a lot of this bad news.

Michael Shaoul

Yeah, I think we're moving from a market which has been dominated by macro top-down forces over the last three or four years into a market which is more the bottom-up market. I think that you have individual shareholders looking at individual corporations and liking what they see and maybe they hate the macro environment, but they still like the stock that they're buying.

Dominic Chu

Well, bottom-up stock picking, when you actually look at the companies as opposed to looking at the industries or sectors, worked well for a lot of people. Stock pickers were great until the financial crisis hit and everything had a correlation or everything moved together. If it went down, it didn't matter if you were in cyclicals or discretionary, so that's a fear right now that a lot of people have. Is it justified or is that individual stock picking going to add value, now?

Michael Shaoul

Well, I think this change from the top-down to a bottom-up environment happens at around this point in the cycle. We're now roughly three years away from the real problems of 2008. As I've said before, we're very unlikely to have another financial crisis in the United States in this time period. We're very unlikely to have another recession. And so this is rather similar to what we saw in the mid-1990s. The fear starts to recede and people start to concentrate a little bit more on bottom-up forces. That doesn't mean the market goes up every day. This is a tug of war between top-down and bottom-up. There will be weeks in which we freak out about Europe - maybe today's a day like that - and there will be weeks we freak out about other stuff.

Jon Erlichman

Michael, let's use an example - banks, right? When there's uncertainty, as there is this morning, everybody crushes the bank stocks. They've been some of the worst performers this year. Bank of America, Morgan Stanley, Goldman Sachs down 20%. Now Dom was just talking about looking for bargains in the market right now, but you're a guy who does not like the bank stocks.

Michael Shaoul

No, no, no, because they just, if you do a bottom-up analysis of the banking sector, it still looks horrible. I mean, that is an industry which has massive regulatory pressure put upon it. It still has

the overhang of the mistakes it made over the last 10, 15 years and I think the banks are going to miss the next cycle.

Betty Liu

What would you not be doing though, Michael, if I can make it very short term right now? As we're knocking our heads up to the debt ceiling deadline, what would you not be doing in these markets?

Michael Shaoul

I wouldn't be selling good industrial companies or good retail companies or economically sensitive US equities if the market decided to turn turtle and go down 5, 10%. I would simply ride it out.

Jon Erlichman

But why retail stocks?

Michael Shaoul

Why retail stocks? Because, again, the fundamentals of the retail industry, surprisingly enough, have looked very good and if you pay attention to just simply the news coming out of individual retailers, it's been pretty good now for a couple of years and they're not giving you any indication that anything significant happened in the last 90 days.

Betty Liu

You mean demand is going well for these retailers?

Michael Shaoul

Absolutely, they have really pretty good retail sales numbers.

Betty Liu

Okay, all right, Michael, we're going to leave it there. Great to see you

Michael Shaoul

Thank you.

Betty Liu

as always, Michael Shaoul, the Chairman of Marketfield Asset Management.

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