Interviewee (1):	**Michael Shaoul**
Title:	**CEO**
Company:	**Marketfield Asset Management, LLC**
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Interviewer:	**Lisa Murphy**
Interviewer 2:	**Dominic Chu**

Lisa Murphy
We are about sixteen minutes away from the opening bell and futures higher this morning. And for more on the markets, we are joined by the chairman of Marketfield Asset Management, Michael Shaoul. He oversees $1 billion at Marketfield Asset Management. Dom also joining me for this chat, and letõs start with housing. National Association of Realtors revises down home sales for the last five years, down 14%. So is that recovery on that revision? I mean now that we are starting off at a weaker point?

Michael Shaoul
Its like you fell off the cliff in 2008, and now youõre being told you thought you fell off a 2000-foot cliff and really it was a 3000 foot cliff. You know you fell off a cliff, you know hit the bottom, you know youõre bruised; you know you are now walking slowly uphill. It doesnõt really matter how big that cliff was. The other big revision they made yesterdayð and this one, really might matterð is they took their estimation of housing inventory down very, very significantly. Itõs had very, very little press coverage but they sliced about 800,000 homes off the existing home inventories statistics, which matters a lot.

Dominic Chu
Lets talk about the inventories because the case against the home builders, the home building stocks, has been that you have so much excess inventory in the market that no one wants to buy a new home if they can buy a cheaper one thatõs existing right now. So do you like the homebuilders going to 2012, or are you positioned in your portfolio to take advantage of that view?

Michael Shaoul
Yes, we do like the homebuilders and that has certainly been a theme we have been playing towards the end of this year. What you are going to see is: if you went back twenty years ago, you had a regional housing crisis and what you had was the same kind of horrific data that we see nationally today in particular regions. The region of New York twenty years ago looked like the country does today, and what you find is, you just reach a certain point that transactional volume starts to pick up pace. The inventory starts to come down. In the new home markets, there is no inventory. The inventory of new homes is actually at a record low. You simply need to get to the point where people actually consider going out and buying a new home. At the moment there is almost a psychological aversion to doing so. But, you know, we look at the home builders sentiment data over the last few months, and some of the comments coming out of the public homebuilders in the last few weeks, and there does seem to be some activity in that area.

Lisa Murphy
We need a homebuyerõs sentiment index because what sparks a recovery? What gets home buyers out there in the market, actually putting money down?

Michael Shaoul
You have to remember, we are at a really, really extreme low level of activity in new home buying. We are lower than where we were in the late 1960's. At a certain point of time, that extreme will start to normalize. You could double from here and you would still be below average, in terms of new home sales. You're running at about 300,000 units a year, average is somewhere between 700 and 750 [thousand]; peak was a million-five units. So, you just need a very small number of people to decide that its time to buy a new home rather than an existing home and suddenly the new home data looks very, very different.

Lisa Murphy
Michael, how does that impact investors psychology? Many have said that it starts with homes, in terms of a real economic recovery.

Michael Shaoul
The two biggest numbers for investors are employment data and housing data. Those are the two numbers, which have really kept people in the sort of recovery denial camp. Well employment is getting better. The initial claim state, which is the most important, employment data series, is down to 366 today.

Dominic Chu
Is there a level that you think, that you would jump head first into the markets with?

Michael Shaoul
You look at the slope. What we were waiting for over the last few months was initial claims to come back down below 400 and approach 350. I think 350 is the number that gets people excited but I'm already excited because I've fallen from 400 on the 4 week basis down to 380. That's an exciting move. We are back down to where we were in June 2008. So, you are now out of the deep crisis level that we saw between middle of 2008 and earlier this year. You are really getting out of that kind of mess in the employment data. I think it's exciting.

Lisa Murphy
Lets turn to Europe and tie this back to the US. We are hearing a lot of people cheering these austerity plans and austerity measures, but ultimately that's going to have a big impact on many of those economies. What do you think is in store for 2012?

Michael Shaoul
I have an interesting theory: the lesson of 2009 is fiscal stimulus is much, much less helpful than people thought it was. [We] spent trillions of dollars worldwide and had a pretty poor response. I believe the opposite is also true. Fiscal austerity is much less damaging to aggregate economic activity in an economy than most people would imagine. I think Europe is going to muddle through this at the economic level.

Lisa Murphy
Alright, very optimistic outlook for 2012. Michael, thanks so much for joining us. It's a treat to actually hear someone not predicting global depression.