

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

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Interviewer (1): **Betty Liu**  
Interviewer (2): **Dominic Chu**

**Betty Liu**

Well equity futures right now are pointing to a higher open. The S&P may extend its biggest weekly rally since March 2009. For more we are joined by Michael Shaoul. He's the Chairman of Marketfield Asset Management, [he] oversees, \$1 billion, and also Dominic, of course, joining in on this conversation. And Michael, I mean, do you think we're hitting a bottom here in this market?

**Michael Shaoul**

Well, I think we hit the bottom a couple of months ago when the S&P hit 1075. That to me was an exaggeration to the problems which the U.S. was facing. At the time economic data, to many people, looked bad. You've had one of the biggest swings in economic data that you've ever seen. It's almost as big a swing as we had in 2009.

**Betty Liu**

So you're confident that's a low of 2011 then?

**Michael Shaoul**

Yes. With three weeks to go I'm sticking my neck out and saying we won't get a new low. *[laughter]*.

**Dominic Chu**

Now if you look at the overall sectors, there's got to be under-performers and over-achievers in this marketplace right now. As we head for the next three weeks here, stick your neck out. What performs the best here?

**Michael Shaoul**

I think the stock which has done best so far this year in technology and retail really stick out a mile is the two best performing sectors all year long, and energy has kind of come back into the picture in this last sort of rally phase. Energy, I think, has done surprisingly well.

**Betty Liu**

I've looked at the retail performances, just the retail sector overall in the S&P. I mean, it's outperformed the S&P overall. But you know, some might say: will it have run its course after this quarter? What's going to continue at this point?

**Michael Shaoul**

I don't think so. I think there are a lot of people that are waiting for the U.S. consumer to roll over. We heard this whole idea of the savings ratio being down and therefore the consumers about to run out of money. Until people start to talk about, a consumer boom in the United States and consumers spending too much money again and anything being greater, I would be patient with retailers until you see those sorts of headlines.

**Betty Liu**

Once you hear that, then what would you do?

**Michael Shaoul**

Then you probably start scaling back and looking for another story. But I think that's weeks to months away, not days away.

**Dominic Chu**

Betty and I, we were just talking about this idea that the bank stocks have been some underperformers here. They're at the heart of what's happening here with the consumer and everything else here. What do you think about the bank stocks as we head towards 2012?

**Michael Shaoul**

I don't think the banks are at the heart of what's happening to consumers. I think you can have good consumers and bad banks, which has been the story of 2011. I do think the banks will have some kind of a bounce off of their absolute lows. But if we're going to have a bull market and a bull market which takes the S&P well beyond its 2011 high, which would really be any kind of market worth investing in, I think it's going to have leadership, and the leadership is not going to be the financial sector. It's going to be something else.

**Betty Liu**

Technology?

**Michael Shaoul**

Technology, yes. Retail, yes. Maybe energy. I mean, those are the three sectors which really have indicated that they'd like to be leadership. The rest of the market, some of it will hang in there with the index and some will really under-perform.

**Betty Liu**

So you don't buy this whole idea, though, that some have said, look, you can't have a sustained rally though without the financials leading that.

**Michael Shaoul**

No. I think it's totally incorrect.

**Betty Liu**

Okay. Europe, which we talked about last time, you said that investors were starting to get bored with what is going on in Europe. Do you think-

**Michael Shaoul**

Then they got excited again about a day later. But yeah. Look, what I think we saw in Europe two to four weeks ago was a massive liquidation in the secondary market of Europeans sovereign credit. Large financial companies were literally lining up to tell you how much of this stuff they had already sold on the tape. Obviously MF Global's liquidator has told you that it sold everything that MF Global owned. It's not a surprise, therefore, that you saw yields in Italy up to 7% and in Spain well over 6%. You've had something of a snapback now. There's yet another window of opportunity for the ECB and Europe's leaders to get together and come up with some kind of a workable solution.

**Betty Liu**

Until they get the banks in order, sort of in a way like the financials here, until they get the banks in order though, Europe is not going to be facing any type of bottom at this point, right?

**Michael Shaoul**

No. I mean, maybe if you're lucky you saw the lows in the equity market for a while in the summertime. I don't think Europe is going to be the leader for global growth and I don't think it's

going to be the best place to be for investors. All it needs to do for the U.S. equity market is to simply get out of the way, to get off page one and go on to page two or page three of the newspapers.

**Dominic Chu**

So let's go from the developed markets in the U.S. and Europe to the emerging markets. What do you feel about the emerging markets? Are they the place to invest?

**Michael Shaoul**

No. They're the next problem. I mean, I think EM has been the worst place to be in 2012. In the summertime you started to see emerging market data get a lot worse. Most people in emerging markets pointed to the U.S. as the reason. We now know that the U.S. is doing fine. There's a problem in emerging markets right now.

**Betty Liu**

Everyone has been saying that the U.S. is the best house in a bad neighborhood, essentially.

**Michael Shaoul**

I think it's a pretty good house, period.

**Betty Liu**

Okay Michael, great to see you again. Thank you for joining us. Michael Shaoul, the Chairman of Marketfield Asset Management.

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