MACRO Voices
with hedge fund manager Erik Townsend

Keith McCullough: Bullish Real Growth
November 16th, 2017

Erik: Joining me next on the program, and back by popular demand, is Hedgeye founder, Keith McCullough.

Keith, last time we had you on the program everybody and his brother was screaming, hey, the top is in, this is it, stock market's about to roll over, get out, get out, get out! And you very boldly and confidently told us, look, it's expensive. And expensive things get more expensive. That's just how it works. And you were very bullish.

And, of course, you've been proven right to date. It's so timely: As we speak again, on Wednesday morning, we've got the equity market down a few percent. And, of course, once again, the chorus is all over the internet: The crash has begun, it's all over, the end is nigh, it's all coming. What are we down? Three–four percent? And the world's coming to an end.

Where are you at now? Is it time to join the chorus of bears? Or are you still on the bullish side of this camp?

Keith: Well, thanks for the lovely introduction. It's always good to be, I guess, a bull when most people doubt the bullish narrative. What's interesting, and actually the S&P 500 – it depends on where it finishes today – but, as you know, the correction was literally 60 basis points from its all-time closing high. Not just year-to-date high, or some kind of a trending high – I mean from the all-time. Which I continue to remind people is a very long time.

And if you go all the way back – and I'm sure we'll review this – all the way back in market history, you'll learn that, provided that profits and growth are accelerating, what happens to an "expensive market" (and I argued that it wasn't expensive enough) is that they get more expensive.

So at this stage I think it's less easy, obviously, that an epic move to the upside. The 60 basis point corrections clearly aren't corrections. The ramp – and particularly in growth stocks – if you look at the returns associated with either growth as a style factor or just being long in the Nasdaq, they have been equally epic.

So it begs the question as to what happens next. I mean, a couple of the river cards that I was looking for fundamentally were 3% GDP, back-to-back quarters, which we got in both Q2 and Q3. It's unlikely that we get a third here in the fourth quarter – our predictive tracking algorithm on GDP is currently tracking around 2.5 to 2.6 – so it's marginally less great. And on the margin I think that might matter.

The other thing is that, clearly, earnings, in terms of the easy comparisons of earnings, which was really our call for the last 12 months, they get harder because of the acceleration. And I know that that might be a little quirky or geeky to call out. But that's a big concern of mine, as we go more so into 2018, is that the massive acceleration that we saw in both S&P and tech earnings really has a massive comparison in the first quarter.

Of course, that's not reported until April of 2018. So, between now and then, it is Mr. Market's debate on what does and does not matter. And, frankly, I think that there's – not that I wouldn't be frank – but there are a lot of different macro tourist ideas out there on why the market should have always gone down, so I expect to hear and see a lot of those things. It'll be fun to risk manage it or to trade it.

Erik: Let's go a little bit deeper on that. You were kind enough to send us a deck of slides to accompany this interview. And I noticed the very first slide that you've got is a statement saying valuation is not a catalyst. And I think it plays into what you just said. It sounds like you maybe do not have a bearish view, but some growing concerns about where various indicators may be headed.

But those indicators you're watching are not the CAPE ratio and the other things that are valuation-centric, that so many people are obsessed with. So please elaborate why is it – if you hear so many experts saying look at the CAPE (Shiller cyclically adjusted price-earnings ratio), valuations are the problem, that's what we should focus all our attention on – why is it that you pay attention other things?

And, from what I understand, almost ignore valuations on something like a CAPE ration metric?

Keith: We, obviously, don't entirely ignore anything that is market history. Market history has a lot of information. So a CAPE ratio, which is a cyclically-adjusted PE ratio, had information within the time series.

But don't forget that that CAPE ratio in particular is highly levered to the cyclical. So, again, it's a cyclically-adjusted PE. And we had a huge depression in the energy space and/or resource-oriented cyclicals. So that's why the E is compressed or low, and the P on a CAPE basis looks very high.

Now, what happens if oil goes from 30 to 60 is that the E goes up and the market starts to look less expensive. And that's really the point. If you look at a lot of these – valuation experts I'll call them – and, again, I actually (and no undue respect) I really find it to be a trivial exercise to know the history of PEs, whether they be cyclically adjusted or not. That's just history. Okay?

What you'll also learn – and we can show you in the deck (cartoons notwithstanding) the one that we have on Slide 7 – when a lot of people answer every question on valuation, they never start with what we start with. And I'm saying "they," not being *all* of "they."

But I think that the people that have missed major moves, both in terms of expensive markets (quote, unquote) getting more expensive, and cheap markets getting cheaper – what they miss all of the time is the prevailing factors of growth and inflation either accelerating or decelerating.

So I'm much more focused, and always have been, on whether growth and/or inflation are getting better or worse, not whether they are good or bad. Whether something is good or bad is somebody's opinion. Whether something is getting better or worse, or accelerating or decelerating, is not an opinion. That's a fact.

So, again, I deal in the factual space. And the fact of the matter is that there's really no history to suggest that there is a magic market multiple. If you look at Slide 9, I think, of the slide deck that we provided, the question really I should ask is – are you sure the market is expensive?

Now, you've looked at a lot of different things. But you tell me. Where in that piece of evidence going back to 1987, that the black line is discernably at the spot, the magic multiple, where the market absolutely has to go down?

It's an absurd statement. Only Wall Street could live and get paid on these types of valuation statements. So I'm much more focused on what is driving the black line up and what would drive the black line down.

Don't forget that I'm not a permabull, I'm not a permabear. I've been plenty short a lot of down moves in markets. And, what I've been focused on is when US growth in particular – in the US stock market's case – started to roll off its cycle peak and slow. And then decisively slow. That's when stuff can get cheaper and multiples can compress.

But, as you can see, if you started shorting the market in 1991–92 when it was right around this P multiple, or in 1996–97 for that matter, you would not be running money if you carried that position for two to three years after that point. Just by being short the market because it was expensive.

It's an absurd statement. But only – as I said – only an absurd place (which could be the old Wall) can get paid on that.

Erik: Well, certainly, the '90s proved to us that – as you have said so many times in your past appearance here – expensive things can get a lot more expensive. We had ridiculously high valuations in '97. But guess what '98–99 and the beginning of 2000 brought us?

I want to come back to your earlier comments. On Slide 3 you've got a nice graphic that kind of illustrates this point, where it says you focus on the slopes. You're not caring about the magnitude of how high or how low we've been, but which direction we're moving in with respect to growth and inflation and so forth.

When we had you last on the program, it sounded like we were kind of at max slope. You were just extremely bullish. It sounds like maybe you're seeing a little bit of slowing of those trends since we last spoke. Am I reaching too far to say that?

Keith: No. It's just purely time and space makes that happen. So the easiest point to call an acceleration is from the lowest point in the prior year, or at that point on the sine curve. So you always have to ask yourself – and I really think that this is ultimately – it's taken me two decades to figure this out and I'm still banging my head against the wall to get it right.

But the reality is, if I can constantly identify within three to six months where the bottoming process is on that sine curve on Slide 3, and/or the topping process, then I'm going to do better than your average monkey. And that's really my goal. Okay? Gotta beat the monkeys. Then I gotta beat the market. Now, if I can beat both the moneys and the market, I'm going to be happy and my clients will be happy. There'll be more happiness than angst.

And that's really the point. In Q2 of 2016, you were literally at the bottom of the US GDP cycle. You were absolutely at the bottom of the US profit cycle. Don't forget that we were in a profit recession in the US. Partly why Trump got elected was in 15 states there was beyond a recession, there was a depression.

Okay. So if you need a political analogue you can have it. I don't start and end with politics, obviously. I don't particularly care for politics at all. Incidentally, the political winds had changed, given the profit cycle and the economic cycle had slowed into its lows of 2016.

Therefore, when we talked about – I think we talked at the end of Q2 in June – it was pretty easy to make that call. Because we were at the – we were comparing against the low of the cycle. Q3 was also a pretty easy comparison.

So, as you roll into what was a big acceleration, which was Q1 – it finally became clear to people in Q1 earnings season that GDP Cap-X earnings were all accelerating materially – that the bears had to give up. And that was the first wave.

The second wave was that the bears were offside for all of Q2 and then started whining about valuation. Have you ever heard somebody whine about valuation if they're long of that thing? Never. Try it with your house. Does your wife whine that the house is too expensive? We need to move, we need to leave immediately, there's too much risk living here. This is not the way that life actually works. And it is quite surprising that people think of markets that way.

So, once we get – my main concern is that it was so good this year that next year you're going to have to compare against that. That's the main concern. It's just gravity. It's not to say that you can't comp the comps, as we like to say. Or compare strongly against a tougher basis actor, a tougher comparative basis act period. That's up to Mr. Market and the data.

And that's why we run a predictive tracking algorithm constantly. Every single day we get new data. Today we got retail sales. It was up 4.6% year-over-year, which is a fantastic number both in rate of change terms and on an absolute basis. CPI back up to 2 year-over-year. So you have, basically, inflation and growth rising at the same time.

So, again, when I change my mind it will be data-dependent. You are quite right, though, in identifying that we're running out of runway in terms of how easy that call was to make in the summer of this year.

Erik: Your next slide seems to have a summary of the three macro themes that you're focusing on in the final quarter of 2017. Please give our listeners a summary of what's on your mind here.

Keith: I think the first one's the most nuanced, if you will. So what we call Quad 1, Quad 2, Quad 3, Quad 4 – that's our four-quadrant framework. So we're talking, effectively – I think we actually have it on Slide 5 here – you can see this is our framework. So when we're talking about our model, this is our model. You're either in the first quadrant, second, or third, or fourth quadrant.

Now, when you're in the fourth quadrant, that's awful. That's when you have both growth and inflation slowing at the same time, commonly called deflation. So Quad 4 equals deflation. When a central planner sees that – whether it be in the UK, or here, or in Japan, or in Europe for that matter – they automatically go dovish, devalue the currency, create a massive money supply. Rainbows and puppy dogs, etc.

But what they actually get is asset price inflation and a stagflation in the economy. So, inflation in asset prices, but real growth is still slow. That's Quad 3. Stagflation.

Where we currently have us tracking into the second – really the first half of 2018 – is the first quadrant. So the debate here in Q4 is Quad 1 or Quad 2, where you get a sequential or a month-over-month and quarter-over-quarter rise in inflation. You can see that most easily with oil prices. But you can see it more broadly across the CRB index, which is 19 commodities. You can see it in wage inflation for example.

What we have is actually this three to four month period where we're trying to debate with our subscribers whether or not it's investible to stay with the reflation trade, and for how long. So that's really the first theme.

And it's really an ongoing debate. I think that a lot of things in macro you should debate, because they're clearly not easy to nail all of the time.

The second one is a very obvious one that we've already discussed, which is where does the profit cycle start to peak relative to the tax reform expectations starting to pick up? And I think we're obviously right in the heart of that. So, again, tax reform is a tough one. I have absolutely no crystal ball to tell you that this is going to happen with 100% certainty.

I'd say that it's better than a coin toss that the market expects some form of tax reform. So if you don't get it, that's going to be a problem. That's not been our call, nor would it be. Because I have no data to support that. Again, that might just be a moment in time in the market. So that could obviously be a market risk inasmuch as it could be a reward.

And then, finally, the third theme, which I think is probably the most divergent – pardon the pun, given it's called global divergences – synchronized global divergences – what I'm trying to do is kind of make fun of the consensus out there that – it's pretty obvious looking in the rearview mirror that we had a globally synchronized recovery. You can read that in the Wall Street Journal every single day. You can read that from your local consensus economists every other day.

That's not what 2018 is going to look like. In fact, China, which is a pretty big part of the globally synchronized recovery, is already slowing. So that's the easiest one to call, on the old China part. So that's that.

And the south of Europe is a major concern for us. We've already seen inflation rates start to slow across most European countries. And they're certainly lower than the level of inflation that we see here in the US (headline and otherwise). They have no wage inflation in Europe. But we also – consumption growth, retail sales growth in particular, is slowing in places like Italy, Spain, Portugal – so we're quite bearish on the 2018 forward outlook on the south of Europe. And, like I said, China.

So that gives you a much different setup from a global demand or a global economic growth scenario than what consensus is currently expecting.

Erik: Do you think the Kyle Bass scenario of China having a major credit event that sends a wave of deflation and creates the next global financial crisis – is there any merit to that? Is that a concern that you pay attention to?

Keith: I definitely have paid attention to his work. I always do. I have a lot of respect for Kyle Bass. I just have disagreed with him, obviously, for the last couple of years. Thankfully so, because China, of course, had quite the opposite last year.

They had the biggest stimulus in the history of China, which is a fairly long history, going back. And you had a major catalyst, which we didn't want to be short of, which was the Communist Congress, which they finally held in October. So there are a lot of reasons not to be bearish on China.

I think, if you're going to make that call, you've got to get the timing. He might argue otherwise, because he'll just say, eventually it's going to happen. That's not tight enough for me. My subscribers would fire me for that. I have to get the timing right within at least a three to six month window.

And the big difference on China, I think, is that (A) they have a closed capital account, and (B) they don't have – partly as a function of that, but also more generally – their deposit system on their banks is much different than what we have here in the US. I think if you're going to make the big-bang USA-style credit call – just because we had it and they have insipient signals that would suggest you should be paying attention to the risks – I don't think that that's an event you can time and/or structurally can actually see right away. So that's what we would say on that.

What we do focus on, which will help Kyle's case, is China is slowing as opposed to accelerating. So, again, I always go back to what's the economy doing? In sharp contrast to 2016, really, China's growth peaked in Q1 of 2017. So this year it peaked, in terms of the rate of change.

So that now we have China slowing, and I think that – if Kyle's looking for a real reason that could be a catalyst or a causal factor – there's some negative things happening, because, of course, bad things happen when growth is slowing. Now he at least has that.

Erik: Moving on to Slide 6 in your deck, you're saying here that long real growth is the macro strategy. That's pretty easy.

What exactly do we mean by that? What are the sectors that you want to be in, in order to participate in real growth?

Keith: Largely, these are the consumption components of the US economy and/or innovation components of the US economy. Places where you can invest, like technology, consumer discretionary, parts of health care. So, again, this is what the US economy has always been.

When you get a broad-based recovery, these are the core components of the US economy, where you want to be long if you want to be long in real growth. So that's why you see IPOs really have great runs here, companies with high returns on invested capital, high sales growth rates, earnings growth rates. These have all been, effectively, what we call the style factors within the market that have outperformed, have been up between 22% and 30% for the year to date.

So you can see on the left side of the chart, as I pointed out, US growth bottomed in Q2 of 2016. That's the black bar. Our projections are the blue bars. But we've been – those have not changed throughout the year, we've always had a backend-loaded view of US GDP growth accelerating. That, of course, has happened.

But, to the point of how this looks on a rate-of-change basis sequentially, or quarter-over-quarter, now that consensus has come to believe this: If you look at the right side you can see the 3.1% GDP and 3.0%. Those are the sequentials. Again, it's almost as good as it gets. I mean, effectively, that's – if you want a bear case, it's – the best of the bull case is officially, in the rearview mirror for now.

But, again, this is very data-dependent, so you have to update it every day when you get new data.

Erik: I think we've talked already about the next few slides. Let's move on to Slide 10 where you're talking about growth accelerating, putting a lid on market multiples.

Please elaborate. What do you mean by that?

Keith: This one's really easy for people to understand. And you should always say this back to the person who's complaining or whining about valuation. Now, I'll be right there talking about valuation when growth is slowing, because that will augment my view. But, when growth is accelerating, effectively what the bears have wrong is the E.

So if you're going to talk about the P of the market, whether it's cyclically adjusted or not, just the next 12 months PE, I think you have to have a view on the E. And that's the point.

What's happened this year is that earnings growth was so strong that you actually didn't see a massive multiple expansion like you saw in the 1990s – at the end of the 1990s. You could see the red line there, ripped. It actually ripped in 2009, when we went bullish as well. Because people were way too bearish on the E.

So, again, after the '08 crisis, everyone thought nobody would ever see an earnings cycle again. And, lo and behold, that earnings cycle started right around the end of the first quarter in 2009. So you had a big surprise there. And people were still quite reticent to be buying anything – if they had any money left. There were a lot of issues there.

But we haven't seen some massive multiple expansion, because the E has really been the thing that drove the year. And that's been my point on that.

Erik: In the next couple of slides you're talking about earnings continuing to reflect accelerating growth, where a lot of people are talking about crashing growth and crashing stock markets and so forth.

Please elaborate. Talk to the next couple of slides Number 11 and 12.

Keith: You can always get people to pay you an advertising dollar, maybe on the back door of it – click on something that scares you, that we're going to see the end of the world on earnings. But that is clearly not what has happened.

If you look at where we are, we're about 90% of the way through earnings season. So on Slide 11 you can see 316 companies in the S&P 500 have reported aggregate earnings growth of 8%. Now, if you go down to the tech earnings growth, that's been 25.5%. That's the best quarter so far.

So it's almost a mathematical certainty that by next year in the third quarter you're not going to have a good earnings season. Because you have to compare against the 25.5%. But what you would have wanted to been long was the market on the way up to the 25.5%.

If you look at the Nasdaq, which is the juicier component, which looks a lot more like just tech in the aggregate, you can see that on Slide 12. There are parts of this that are absolutely ripped, but the aggregate earnings growth rate of the Nasdaq has been 22% to 23%.

So, again, it's, like I said, it's as good as it gets. When you look backwards you can always define why you were right or why you were wrong. And hopefully people are honest about why the bulls were right this year. And a big part of that is staring you right in the face, there.

Erik: The other think we talked about last time you were on the program was technology stocks. And what people were saying at the time was tech was just way overdone, it's a bubble, it's time to get the hell out before you get burned.

You were very outspoken in saying the opposite. You actually believed technology stocks were the place to be. And so far you've been proven right.

So what's going on here? Let's talk about Slide 16. What is your counterargument to people who say technology stocks are just ridiculously expensive right now and this is not the time to be investing in them.

Keith: I appreciate that. The first thing I'll say is, oh, so you don't own them? Let's go through that and they'll know why they should have owned them.

But what I'll do on the valuation front – because, of course, I'll start that argument with what growth in both the top line and earnings have actually done in tech. And that's really defined the multiple that you have today. But that multiple–

Now, there's two parts to this slide. That multiple relative to the market is nowhere near where it has been multiple times. Now, again, it doesn't have to be (and I say this quite often) it doesn't have to be 1999. For God's sake, it doesn't even have to be 2007.

In 2007, our call at the end of '07 was that growth was slowing and the multiple was about to compress. Okay, now that's a good call to make. Because you've got a much higher level of the market's relative tech valuation relative to the market, and you have the causal factor of growth started to slow.

So here, you have growth is still accelerating in a multiple relative to where it's been to the market. It isn't even close to bubble territory. So that's point #1.

The other part of this slide, which is super-important, is within the box we show where is tech relative to itself? Okay? So it's much more important to define the bands. If you think of the standard deviation of risk of where something can go, I think a fair point to start is where has it been before on the top end of that? And where has it on the low end?

So, in other words, where is tech today on a P-multiple basis relative to where it's been? And it's in the 66th percentile. So it's two thirds of the way to where it could be. That's another way to look at this.

What you also note in this box is the real expensive parts of the market are in bond proxies. Consumer staples and utilities, specifically. If we had REITs, you'd see that too. That's where people really own the most expensive parts of the market. And why were those expensive? Because they're your former growth-slowing exposures.

I quite prefer people would approach me with a valuation call like that. Because, provided that we see inflation and growth accelerating at the same time, those sectors don't do well relative to, certainly to tech.

Erik: I feel like I certainly appreciate you've got a very bullish view, and I respect that. But I kind of feel a responsibility to stop you here and say wait a minute.

Before we give everybody the impression that you're telling people to go put all of their money into a long-only portfolio of S&P and tech stocks, I happen to know, because you're a hedge fund guy, you wouldn't be caught dead with a long-only portfolio.

So, our diehard listeners that have listened to my Accredited Investor Academy already know what a long/short hedge fund strategy is. But I know that what you do at Hedgeye, to a large extent, is to teach people how to be their own hedge fund, how to run a long/short equity strategy.

And that kind of explains why you can afford to be so bullish but still be hedged at the same time. So, for people who aren't familiar with that, please explain.

What are we talking about? What is long/short equity? What is that strategy? And why do you recommend that so strongly?

Keith: I appreciate that, because that's where I've grown up in this business and I believe that 100%. Because it allows you to not be wedded to a certain style of investing. In long-only you can be a growth investor. You can be a value investor. You can be a momentum investor. You can be whatever you want to be. But once you decide that that's what you are, you're kind of locked in.

Whereas, me, I don't care what I'm long or short. I just want to get the causal factors, or the rates of change of growth and inflation right. And, if I get those things right, there's always something to be long and always something to be short. So I think it's a much more thoughtful way to be long. Like, when you're long like I am now, long growth, I can be short on consumer staples.

So I'm not 100% long on the market. I'm short XLP for example, which is the ETF for consumer staples. And I'm long in the Qs, which is the Nasdaq.

So I'm long growth and I'm short growth-slowing. It's the same bet. But it's being smarter than what I would be if I was just naked along the market, just trying to talk up US growth until I retire. That's no way to live. Not for me. Given that the market's blown up three times since I started in the business. And I don't want to go through that the wrong way.

So that's one way you can set it up. Just at the sector level.

Now, once you get into the stocks – that's why we have 40 people on our research team (God willing, that continues to grow) – but their job is basically to give me their top three longs and their top three shorts every three months. So I always have within my macro view, and in my sector view underneath that, I have stocks that I want to be long and short. And that's pretty straightforward. I think most people understand that.

There are good companies, there are bad companies. Just shorting companies because they're bad doesn't always work. Market timing matters, being in the right sector matters. So we'll break it down, break it down, break it down. And what you'll find is that there are certain styles that make your longs better in certain environments. And there are certain environments that perpetuate your shorts doing better. So, again, that's–

A good example of that this year would be something like telecom. Telecom has leverage, negative returns on equity, no pricing power, and competition out the wazoo. That looks nothing like the FANG. So if you're just short a basket of telecom stocks, or the ETF associated with that, and long the FANG, that's another way to express your growth-accelerating view in the US.

Erik: And I just want to make sure we get the essential point in there that you would never consider being just a long-only portfolio of anything. You have a balanced number of long and short positions. So if the market does crash the way some people are saying it could, you're shorts hopefully will outperform your longs, and you don't lose money even in a down market.

So you can make money in either direction of market. That, of course, is the long/short equity strategy that was pioneered by Alfred Winslow Jones back in 1949, and which a lot of the hedge fund industry grew up around.

So I know a lot of what you do at Hedgeye is actually to teach people how to use that strategy and to offer them potentials for what to have. Because one of the ways that you can run a long/short equity strategy is just to choose sectors. Use sector ETFs for your longs and your shorts. Or you can do individual positions.

So tell us a little bit more about how you teach construction of portfolios. If somebody is, say, an advanced retail investor, they want to run a long/short portfolio, is it mostly with ETFs and just sector bets? Or is it a combination of sectors and individual issues?

How would you teach someone to do this?

Keith: It's obviously not something you can teach like you would a moving monkey or a moving average. I mean, anyone can just plug that into their computer and, voilà, there's your signal. This, of course, takes a long time. It takes an entire career to build a process that is not only beating the market, but also, to your point, protecting – during the most important times to beat the market, which is when it's going down.

So, again, we have a variety of risk management signals that we use. What you really learn is that you have to have two big things. You have to have the fundamental research process, which we've spent a lot of time talking about today.

Again, is it data driven? Is it getting better or worse? Is it accelerating or decelerating? These are the questions that we ask ourselves every single day.

But on the quantitative risk management side, the big question that you're always asking yourself – and we spend a lot of time teaching people – is the relationship, not on the simple moving average of price, but on how volatility is affecting that price.

So, again, there's a tremendous amount of knowledge to be gained in measuring and mapping the volatility of price. Or, as Benoit Mandelbrot would have taught back in his day – which I thankfully learned quite a bit from him, one of the best books I've ever read and kind of the bible of my process – is all the misbehavior of markets.

And he talks a lot about the measuring and mapping the volatility of volatility. And that's something that we've spent a lot of time teaching. It takes a lot of rinse and repeat. And we do this every morning, actually, on what we call The Macro Show (it's at nine o'clock Eastern). So we spend a lot of time trying to educate just with live examples of what the market's actually doing now. Because that's readily available for people. They can see it in motion. They can apply it to what they're doing.

And then, of course, we have products like ETF Pro and whatnot, where we're basically, to your point, isolating what we want to be long and short, or bullish or bearish about, in sector terms or in country terms or in asset allocation terms.

And, since we're global macro, and we do everything from stocks to bonds to currencies, we constantly have a view on all of those things.

Erik: And you might be interested to know, too, that one of the five books that I have in my head that I haven't gotten around to writing is called *Be Your Own Hedge Fund*. And the idea was to teach people how to run a long/short portfolio rather than just a long-only portfolio.

And I was going to suggest the use of ETFs and sector bets in order to construct it. When I learned about what you guys do, I said, oh, somebody's already teaching people how to do that. But you do it in a live format. So it's not a book that could get stale.

You're basically giving people updated information. And there are small products that are just kind of newsletter level, all the way up to your full-on product, which is really teaching people start-to-finish how to run what really is more of a hedge fund style of investing strategy, as opposed to a retail strategy.

I want to reveal to our listeners the reason it's taken us until now to get you back on the air – because your last interview was very popular, we've had a lot of requests to get you back. When we talked to your marketing guys about getting you back on the show, obviously, you're going to want to pitch your product at the end of the interview. And we let all of our guests do that. It's just a stickling point for me, as I want to get our MacroVoices listeners the very best deal that we can. And frankly, a lot of your stuff is on the expensive side.

Your high-end product, which is basically the All Access Pass to everything you do, is $2,700. It's not cheap. We tried to get a deep MacroVoices discount a few months ago, and Dan Holland basically said, no way. Hedgeye has a corporate policy that you only once a year do the super discount. So we decided to wait until that to get you on the program.

So tell us a little bit about what your Black Monday pass, or Black Monday discount is all about. And then I've got even a better deal, because Patrick was able to negotiate an extra hundred bucks off of what I think is your cheapest deal of the year on your products.

So I guess the All Access Pass is everything you do. Give us the quick outline of what everything you do is, that's normally for $2,700. It's a thousand bucks this time of year only. And we've got it down to $900, if you follow Patrick's instructions for how to get the discount by using the MacroVoices discount code.

What is in that All Access Pass?

Keith: The opportunity to give people all the tools, as opposed to – people cherry-pick tools. They either want the Real-Time Alerts, or they want to watch The Macro Show. What they'll learn over time, if they're using our process the right way, is that you need all the tools. I use all the tools. But we sell them independently.

So that's why we do it once a year. Just so that we can say, if you like how the current components of the process are working, you're going to like it a lot more if you actually use the entire process.

Now, the pricing actually – our research is priced at a premium because we grew up as an institutional research firm, and still 90% of our revenues are institutional research. So, they'll pay us up to $2 million or more on an annual basis for all the same – the summary of the tools is what you're getting and how to use them.

But there's a lot of value, I think, in terms of what we do. Because we're effectively giving you the same weaponry that we're giving institutional clients that will only pay us if what we're doing is actually accurate and helping generate alpha.

So, again, the All Access Pass has things like The Macro Show, which starts at 9 o'clock in the morning Eastern time.

Also the Early Look note, which is my daily strategy note.

And the Daily Trading Ranges, which is, again, how to buy low and sell high as opposed to chase high and puke low – there's a lot to that.

And the macro themes, which is a big part of what we're doing [here today].

And constant updates or notes on what it is that could be changing, i.e. where we could be wrong on themes (because we do have a central tendency to change our minds when we're wrong, so those tend to be pretty popular).

Research flashes as well.

Erik: So the All Access Pass – if you're serious about this, you're an investor who wants you to teach them how to run their retail portfolio like a hedge fund – including all of the services that give you the menu of ETFs and stocks and so forth for both the long and the short side of your portfolio – that's the All Access Pass.

It's normally $2,700. It's $1,000 once a year for the Thanksgiving special. It's another hundred bucks off for MacroVoices listeners.

The other thing that you run a special only once a year on – you have a $538 product which is $269 this time of year. That includes your ETF Pro, Market Edges, and quarterly investment outlook. Who is that well suited for?

Keith: That's if you're not as engaged in the daily day-to-day need-to-see what's going on in the market every day, need to see every Real-Time Alert. The Hedge: IQ product is weekly to quarterly. Whereas the All Access Pass includes all the edges that you might have, like The Macro Show, which of course is daily. Early Look is daily. Real-Time Alerts are real-time. So that's not in the IQ product.

But the IQ product has all the ETF long/short selections (that's ETF Pro), Market Edges (which is strategy), and then the quarterly themes, which is the most important thing that we do. That, of course, is summarized in that product as well.

Erik: Okay. Fantastic. So the Hedge: IQ product, which is less frequent, it's a $269 special price this time of year. It's an extra 50 bucks off for MacroVoices listeners. An extra hundred bucks off the All Access Pass for MacroVoices listeners.

To qualify for the MacroVoices discount, what you do is buy the product on the website and then send an email to info@hedgeye.com. Tell them you're a MacroVoices listener and you want the MacroVoices credit applied to your order.

I do appreciate your waiting to come on the show, Keith. We wanted to get you on at a time when you had your best discounts running, because I do like to make sure our listeners get the best deals going. I want to think you again for a fantastic interview. We'll look forward to having you back on the program again soon.

Patrick Ceresna and I will be back as MacroVoices continues, right here at macrovoices.com.