

# *Campbell Capital Management*

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Dear Money Management Client:

There is no way to sugar coat this; we're in a bear market. But this is not a dangerous recession induced bear market, it's a "risk off" trading market where fearful investors sell everything they own in favor of holding cash. The price swings have been vicious, unpredictable and some say unjustified. Time will tell, but we believe this is setting up to be a fabulous buy once China and oil bottom.

China's economy continues to slow and their massive borrowings (300% of GDP) over the past few years have set them up for a credit crises and depreciating yuan. Worries abound that as their currency and markets fall, there will be contagion and currency wars. The government's attempts to micromanage the market have only made things worse. It's all made for exciting reading, but neither China's stock market nor currency fluctuations should have a major impact on the US economy.

Every big decline in stock markets has always been associated with a serious deterioration in a sector of the credit markets. With oil prices having declined from \$140 to under \$30 a barrel over the past several years, energy related loans are now deeply stressed and bankruptcy fears abound. Credit spreads have widened, but the total number of loans at issue does not pose a systemic risk like the subprime crises in 2008. Crude oil prices will bottom when supply and demand metrics come together. A confirmed bottom will please markets.

Stock market declines during the first two weeks of this year set records, so this is serious stuff. And that's coming off a year where 490 of the stocks in the S&P 500 were down 8% on average, and the remaining 10 were up 17% on average. This is clearly a difficult market and we're inclined to continue raising cash whenever the opportunity arises, but we also remain focused on owning great companies that share the wealth with dividends. As you've probably heard me say before, all the companies we own will be here generating profits and rewarding their shareholders long after you and I are gone.

As always, we remain committed to a conservative investment philosophy, which emphasizes the preservation of capital. If you have any questions or would like to discuss your portfolio, please do not hesitate to call.

Very truly yours,

Clay Campbell, CPA

***SEC Disclosure:***

*As you know, Campbell Capital Management is registered as an investment adviser under the Investment Advisors Act of 1940. We are required to update the information in our Form ADV periodically, to ensure that it contains up-to-date information about our company. If you would like to receive a free copy of our most recent amendment to Part II of our Form ADV, please call or write us at the address below.*

*Please send your request to:*

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- Other organizations such as consumer reporting agencies.*
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