CCM
CAMPBELL CAPITAL MANAGEMENT
- EST 1988 -

October 7, 2024

Dear Money Management Client:

This past quarter was full of surprises. It began with a chaotic unwind of the Japanese yen carry trade. That was when investors who had borrowed massive amounts of Yen at ridiculously low interest rates, rushed to pay back their loans when the Bank of Japan raised interest rates for the first time in years. All those stock and asset sales caused a quick 10% drop in U.S. equity markets, and a much bigger drop in Japan.

Next, the employment report in early September showed a rise in unemployment, sending the market into another tailspin. Rising unemployment often precedes a recession, causing investors to fear a significant drop in equity prices.

Lastly, the Chinese government introduced measures intended to stabilize their economy and asset prices. These included a trillion-dollar renminbi recapitalization of banks, inducements for company share buybacks, easier terms on second home purchases, and higher loan-to-value limits on mortgages. This resulted in one of the best one-week performances in Chinese market history.

Despite all this noise, the U.S. economy remains strong, with the Atlanta Fed estimating GDP growth of 3.1% this year. The Fed's recent half-point cut in the Fed Funds interest rate, along with remaining tailwinds from the CHIPS Act, the IRA, the Infrastructure act, the October employment report and strong AI spending, give us more confidence that no recession is on the horizon. However, we may still experience more volatility. Kenneth Rogoff, author of "This Time is Different,' shared in a recent interview that "we're entering a period where volatility is just going to be higher. We're not going back to this world of very reliably low inflation and low interest rates. Therefore, with higher inflation and higher interest rates, things are going to be more volatile." And making matters worse, U.S. equities are expensive on a historical basis. We have been adding interest-bearing credit funds to the portfolios, attempting to make them less volatile. A bit less risk for a bit less reward makes sense with surprises becoming more common.

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 and Kyle Campbell

7301 SW 57th Ct., Suite 540, South Miami, Fl 33143 • T. 305.670.3140 • F. 305.670.3142
info@camcap.com • www.camcap.com