

August Bear Market or Simple Market Correction??

Particularly since last November 2014, with the Saudi oil policy change, energy prices have been plummeting.

Historically, a crash (50%+) in oil prices has not been an overall economic negative. For example:

- 1) The oil sell-offs in 1986 & 1998 did not translate into an economic downturn/recession or bear market.
- 2) In general (other than oil bearing regions), an oil price crash has been a huge positive economic boost to the economy. Think massive tax cuts putting money in the hands of billions of working class spending consumers.

Energy has been in a yearlong bear market since peaking last June 2014. However, the broad markets only recently have been in correction territory (-10%+). Investors forget that it's been over 2 years since the broad stock market indexes have suffered a 10% correction. Simply stated, it was due, normal, whatever the excuses or supposed catalysts. Bottom line, there were more sellers than buyers.

From our 25 years of experience in the stock market trenches, this is what we see going forward:

- 1) Simply stated, the plunge in energy prices, combined with the recent general market sell-off/correction has served to temporarily cleanse the financial system and prolong the length of this bull market – perhaps by up to another 2 years.



- 2) These two seemingly negative events are actual positives for the global economy and financial markets. By the time the general stock markets are actually falling into a bear market (perhaps 2 years from now), energy prices will likely be much higher than today. Energy is the countertrade.

We can't pinpoint the exact moment, but it's only a question of when, not if, either a major oil exporter blinks, there is a major energy bankruptcy, or mega energy corporate mergers.

Your manager, being a "contrarian" and a keen student/observer of financial history, realizes that the skies don't remain stormy forever and very often the most opportune time to buy is when the thunder is most deafening.

A handwritten signature in black ink, appearing to read "Ben Horwood", written in a cursive style.

Ben Horwood
Value Contrarian Fund
August 25, 2015

Next purchase date Value Contrarian Fund: August 28, 2015

Your comments are always welcome via e-mail (benh@valuecontrarian.com) or LinkedIn. Feel free to call Ben at: (514) 398-0808.

Please note: the timing of Ben's market comments will only be sent when something of value should be shared.