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**VIEWS FROM CAMELBACK MOUNTAIN**

***The Panic Has Moved into a Crisis of Confidence***

We are sorry to keep writing to you with discouraging updates about the financial markets, but things are moving rapidly and we want to make sure you have our latest thoughts on the current situation. We originally thought that the markets were dramatically overreacting to the virus. While we continue to believe that the panic, and now crisis of confidence, have taken on a life of their own well beyond any likely impact of the coronavirus. We thought this would end up being a normal correction, but it has moved well beyond that. Technically, a bear market is defined as a decline of 20% or more from a previous high. At the open this morning, the S&P 500 was down about 27% from a previous high. Bear markets typically result in a decline of approximately 30% from a previous high and last on average for a little more than a year. This is anything but a normal correction or even bear market. It has had rapid onset and the change in valuations bears little or no resemblance to the likely impact on most major American companies. If we end up with a 30% decline from February's highs, we think that all or most of the damage has already occurred. Therefore, we see no reason to sell stocks at this time.

Most of the stocks that we and our clients own are now attractively priced or very attractively priced based on long-term fundamentals. Once the panic subsides, we may have a great opportunity to select from many investments currently on sale.

Whether you like President Trump or not the fact of the current situation is that the futures market was priced to open this morning at about even going into President Trump's Oval Office speech. Things deteriorated badly immediately after the speech. We now have a crisis of confidence in government leadership. If President Trump does not get re-elected in November, he probably will have lost the election last night. The democrats don't get a pass either as the markets are concluding that our political leadership in Washington is simply dysfunctional. While that is never a good thing it has now led to a crisis during a stressful time. As dysfunctional as our leaders are, we do believe that most are well intentioned and will eventually use this situation as an opportunity to come together and take necessary actions to stop or slow the panic.

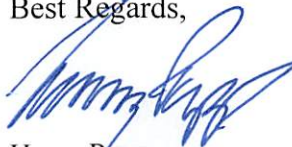
The financial markets experienced a similar situation on October 19, 1987 when a crisis of confidence occurred in the financial markets. The economy was just fine yet eventually the government had to step in and reassure markets. Once that happened, the market recovered all its losses within 16 months. While the markets may not totally recover in the next 16 months, we do have confidence that the U.S. economy was quite strong coming into the events of the last month. Clearly, significant damage has been done and even though we still don't believe that this had to happen, the panic has caused serious damage.

We expect the government to announce actions quickly to support the airline industry, banks and financial institutions and other heavily impacted industries. If you own an airline stock today and sold it at a depressed price, you might be very sorry next week if in fact the government steps in with support.

We own very solid companies and established businesses that in most cases have very long track records. Almost all of them have plenty of cash and don't rely on much in the way of borrowing to operate their businesses. While they will all be impacted by the panic, we're not aware of any that face life threatening problems. This is why we think that these companies will recover relatively quickly once the panic subsides.

Our advice at this point is to take reasonable precautions to keep you and your loved ones safe and to try to avoid getting too concerned about the panic around us. This has developed incredibly rapidly and will likely be brought under reasonable control in the not too distant future. We will keep you posted as things develop.

Best Regards,



Harry Papp  
Managing Partner  
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