

Campbell Capital Management

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Dear Money Management Client:

We began this year with a cautionary outlook, but in early January when our illustrious greenhorn Federal Reserve Chairman reversed his hawkish commentary, we reversed our cautious outlook. The enclosed performance report is a pleasant result.

Chairman Powell took plenty of heat for his judgment that the economy was in fine shape, and even remarked “Wall Street’s pessimism is well ahead of the data”. But even Powell is learning that Wall Street discounts first and asks questions later. You’ll see him choose his words more cautiously in the future.

The economy is going through a soft patch. Who knows if it’s due to trade negotiations, political uncertainty or something else? There is little inflation, interest rates are low, oil is cheap and the dollar is stable, so continued growth is certainly possible. But we know economic growth is made up of productivity gains and population growth, which are both anemic, so keep your growth expectations anchored.

About the most reliable economic bet is that interest rates will stay low for a very long time. Federal, state and local governments have so much debt that if interest rates rose very much it would trigger a serious fiscal problem. Corporations have so much debt that rising interest rates would quickly lead to a blow-out in credit spreads and a slowing economy. Any way you look at it, all this borrowing has stolen from tomorrow’s growth, and a continued ultra-easy monetary policy is the only solution. Globally there is over \$10 trillion in sovereign debt with negative yields. Yes, Governments are borrowing money and the lenders are paying them to do it.

We think negative yields mean something is tragically wrong, but corporate America is doing just fine and central bankers around the world assure us they know what they are doing. We want to believe them, but we know they really can’t be trusted. And that’s the world we live in.

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