



January 4, 2023

Dear Money Management Client:

The bear market rolled on through the end of the year, leaving the S&P down 19% and the NASDAQ down 33%. The pain was severe in our core holdings of Apple, Microsoft, and Alphabet down 26%, 28% and 39% respectively. All their businesses and finances remain strong, but bear markets are more about emotional and panic selling than fundamentals.

It has been 9 months since the Federal Reserve began raising the Fed Funds rate with a goal of slowing the economy and cooling inflation. Seven hikes in total, resulted in a rate increase from .25% to 4.25%, leaving the interest rate at its highest level since 2007. We are now seeing signs of a slowing economy and most analysts believe the Fed is nearly done raising rates.

The first half of 2023 will be volatile, with choppy markets looking for direction and better news on inflation. A slowing economy is pretty much assured, but the severity is open for debate. It all comes down to Fed policy, and whether they orchestrate a “soft or hard” landing. In either case, we know from history that when the economy slows, longer term interest rates will decline.

Both short and long-term interest rates increased dramatically in 2022. When interest rates rise, the value of a bond falls, and longer duration bonds fall the hardest. Twenty-year treasury bonds lost 31% of their value this year, which was the steepest annual loss in history. We have not owned bonds for a long time because their returns have been so meager, but late in the fourth quarter we began buying ten and twenty-year U.S. Treasury bond ETF's. Their greater than 4% yield and potential appreciation when longer yields start coming down, offer an excellent risk/reward investment in these troubled times.

At some point, the bear market will have run its course and we'll be making those generational equity buys we've talked about in previous letters. Patience is paramount at this juncture, while we wait for better news on inflation and an end to the Federal Fund rate hikes.

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

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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