

Campbell Capital Management

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Dear Money Management Client:

What a difference a “tweet” makes. The stock market began this year on a strong note, but in our year end letter we expressed concern that something would eventually go wrong, and a government policy mistake was at the top of our list. We referenced the potential for a central bank error, but it turns out that President Trump’s tweets are far more dangerous. He’s been threatening to impose tariffs on billions of dollars of Chinese goods because we’re running a merchandise trade deficit with them. Investors remember the consequences of Smoot-Hawley tariffs in the 1930’s, which were credited with the great depression, and don’t want another trade war. Never mind that we run a current account surplus with China, where the dollars we send overseas for inexpensive products return back in purchases of US debt, real estate, stocks and mutual funds. We’re hopeful President Trump has success opening China’s markets, but we have little confidence in his negotiating skills which involve making threats, striking deals and declaring victory.

The President has pledged a forceful US response to recent and numerous chemical attacks by the Assad regime in Syria. If we bomb Syria, the markets probably won’t like it, but any selling should be short lived. I just throw that out, because we’ve already had amazing stock market volatility this year and it’s likely to continue. Uncertainty created by President Trump’s tweets, Syria’s chemical attacks, North Korea’s nuclear ambitions, Russia’s meddling affairs and even Facebook’s data breach all result in “noisy” volatile markets. But the underlying economic fundamentals are what matter at the end of the day, and ours are good.

The economy is doing very well and we’re expecting robust corporate earnings this quarter. Wages and personal incomes are rising, so consumer spending should follow. Tax cuts and fiscal stimulus are bullish events and while Central Banks remain accommodative, stock markets should work higher. If the “trade war” worries go away, all the better.

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