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Dear Money Management Client:

We began last year's opening letter by saying that a government policy mistake during 2018 was our biggest fear. Sure enough, when Fed Chairman Powell spoke in October, saying interest rates were far from neutral and headed much higher, panic selling began. Economies in Europe and Asia were already weakening, and their stock markets moved into correction territory. The Fed's hawkish tone was viewed as a serious mistake, which could end the 10 year record setting U.S. expansion.

We felt that investors were over reacting to Powell's comments, but "capital preservation" had us raising cash and buying bonds. For now, we remain defensive awaiting fourth quarter earnings announcements. Early reports have not been encouraging, with the likes of Federal Express, Delta Airlines, Apple and Micron all lowering guidance.

The market declines so far are looking more and more like a "re-set" of valuations for the anticipated slowdown. Paul Samuelson, a Nobel Prize economist, joked years ago that the stock market has predicted nine of the past five recessions, so even Mr. Market really doesn't know. December's employment report came in much better than expected; supporting the view it's just a slowdown for now.

The government shutdown and continuing trade disputes with China are worrisome, but they too shall pass. What's not going away are government deficit spending, and the high debt levels of the Federal Government, municipalities and Corporate America. For the past ten years, central bank policies encouraged and enabled bad borrowing behavior. The "Quantitative Easing" and low interest rate policies made sense for dealing with the 2008 "Great Recession", but became policy mistakes over time. Now that those policies are reversing, shouldn't we expect a different outcome? Less liquidity and slower money supply growth are not great for business, and therefore assets that "inflated" due to easy money policies should rightly deflate without it.

We like being optimistic, and we're excited about the values opening up due to the market's decline, but it's time for patience. Mr. Market has more work to do aligning valuations with changing central bank policies.

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

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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· Government agencies, such as tax reporting or court orders.
· Other organizations such as consumer reporting agencies.
· Other organizations, as permitted by law that protect your privacy such as fraud prevention.

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