Campbell Capital Management

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Dear Money Management Client:

We ended the quarter on a strong note and momentum has carried into the new-year. Optimism is high that recent tax and regulatory changes will promote economic development and drive earnings and profits much higher. Tax savings alone are expected to increase the S&P earnings by $10 and maybe even $14 a share in 2018. Profits drive valuations and so higher stock prices are in order. Most analysts agree that valuations are elevated; but with little inflation, low interest rates and an improving economy, why shouldn't they be?

We are enjoying the ride but we are also aware that something will eventually go wrong. Our list of possible problem candidates begins with government policy mistakes. The Federal Reserve and most other central banks have indicated that interest rates are headed higher in 2018; so that's top of our list. All central banks have had accommodative monetary policies since the "Great Recession" of 2008, and now that most are changing course we begin to worry. Quantitative Easing (QE) is changing to Quantitative Tightening (QT) and unfortunately neither QE nor QT has ever been done before. We learn as we go.

The single biggest reason for a change in policy is fear of inflation. Two percent inflation is manageable and encouraged; but anything higher is worrisome to central bankers. With near record employment, most economists say it's only a matter of time before wages start rising and set off an inflationary cycle. Raising rates now would alleviate fear that banks are behind the curve, but higher rates could also result in an inverted yield curve, which has always preceded a recession.

As of today we remain in an accommodative monetary cycle and there is sufficient liquidity to sustain rapid growth. Real growth of 3% to 4%, double the rate of recent years, is possible this year. The stock market is discounting that scenario, so we will remain ever watchful that nothing upsets our outlook.

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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Campbell Capital Management Privacy Policy:

Campbell Capital Management (CCM) is committed to protecting your non-public information and considers this safeguarding of information a priority. We maintain procedures and technology designed to prevent access to your personal information. We employ physical, electronic, and procedural protections in accordance with industry standards. We restrict access to personal information to employees, our registered representatives and service providers for legitimate business purposes. We may share personal information we collect about our customers, prospects and former customers to service providers such as:

· Unaffiliated service providers such as securities clearing houses, printers for delivery of statements and other administrative services associated with your account(s).
· 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.

If CCM shares nonpublic personal information relating to a consumer with a nonaffiliated company under circumstances not covered by an exception under Regulation S-P, the firm will deliver to each affected consumer an opportunity to opt out of such information sharing.