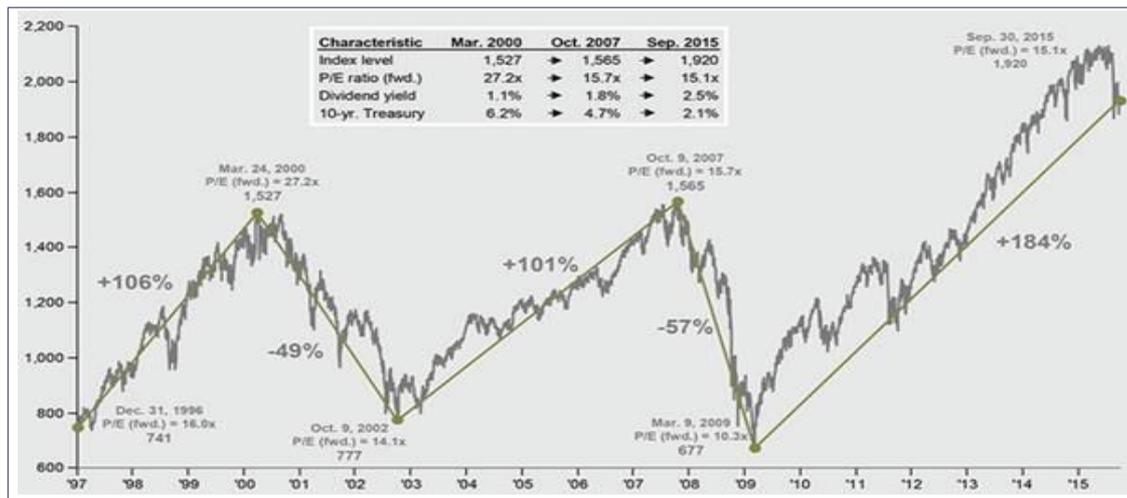


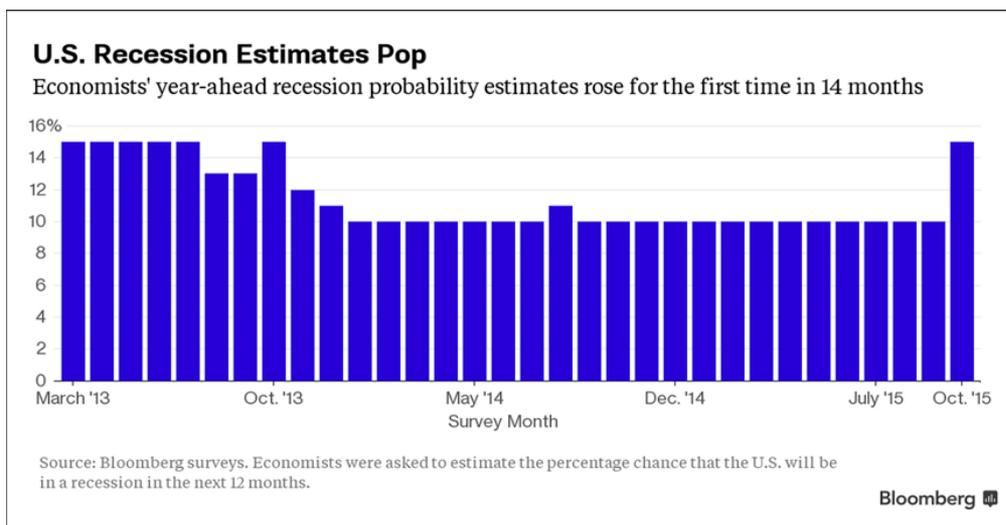
# Market Recap

## New Highs Or A New Peak?



Source: JP Morgan

## Is a Recession Ahead?



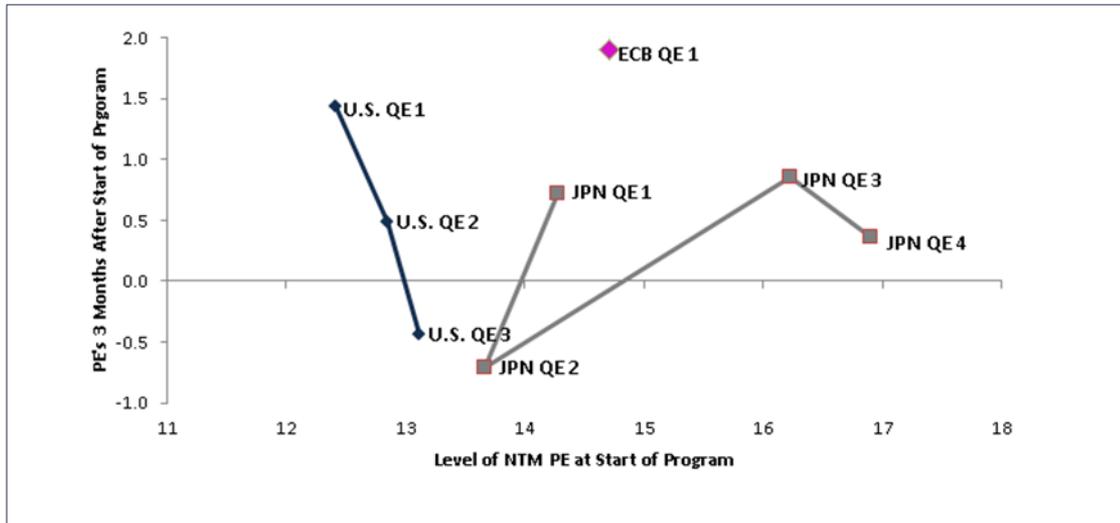
Source: Bloomberg

Six years after the start of the bull market that began in 2009, the S&P 500 has soared more than 200%. In September, however, the market lost ground and the S&P 500 closed out the third quarter of 2015 down 6%, re-testing the market lows of October 2014 and August 2015. The market correction has largely been attributed to uncertainty over China's economic health and timing of the Fed interest rate hike. As much of the market's rise was the result of multiple expansion (investors' willingness to pay more for a dollar of earnings) and less from earnings improvement, this adjustment took valuations from a level above their long-term historical averages back down to within a normal range. While U.S. equities are no longer considered to be "expensive", they are not yet cheap either. Despite a number of positives (improving outlook for corporate earnings, stronger corporate balance sheets, stabilized U.S. dollar and energy prices) many investors wonder if, instead of a new "high", these levels may represent a new "peak".

Taking into consideration the extent of global economic and geopolitical concerns and the effect they may have on the U.S. economy, Economists have now raised probability estimates for a recession occurring within a 12-month time horizon. While the probability of such an event hovered around 10% for much of 2014 and 2015, the median figure jumped to 15% in the October Bloomberg survey. Concerns over a slowdown in China, and the subsequent spillover into other economies, has led economists to cut 3Q GDP growth forecasts to 2 percent, down from a high of 3 percent in July. While domestic economic indicators suggest that the U.S. economy is operating at a relatively healthy level, it is clear that concerns over slowdowns abroad are heightening.

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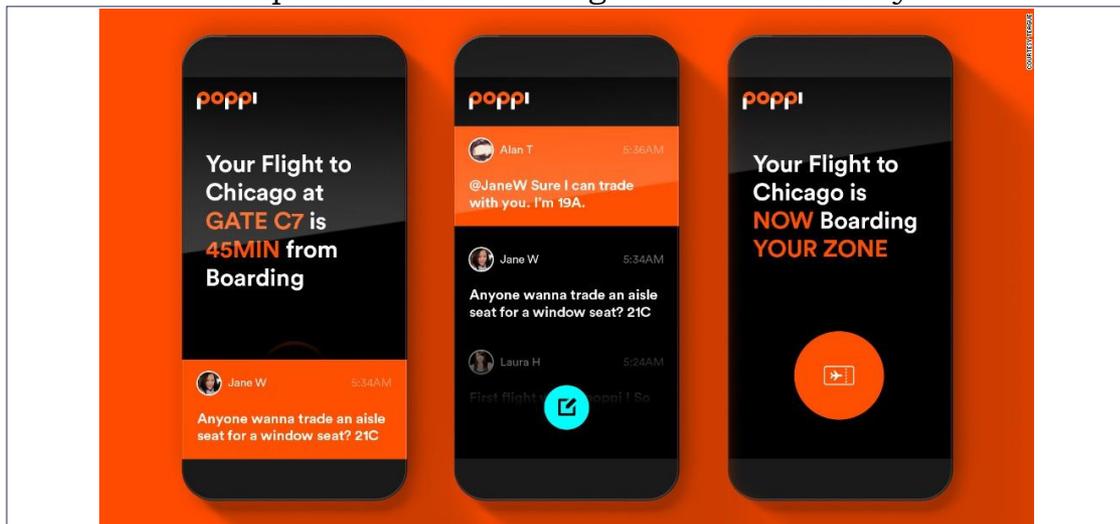
## Response to Quantitative Easing



Source: Bloomberg

Quantitative Easing (QE) is generally defined as a bond-purchasing program administered by a central bank which is intended to make capital more readily available to businesses and consumers. The perception is that QE is also beneficial to stocks, however, experience suggests that the relationship is more complicated. When the Fed purchases assets, it increases the monetary base, passing this capital along to other market participants. On a very basic level, participants will likely allocate the extra capital towards other assets, unless they wish to increase their cash holdings. As QE is only introduced in times of economic distress, it follows that liquidity takes on a higher level of priority in these situations and counters support for a broadly appreciating equity market. However, an indirect or longer-term lift may result from companies' investments in growth coupled with lower interest rates which, in turn, may drive profitability and contribute to overall market appreciation.

## Disruptive Innovation Targets Airline Industry



Source: CNN

To get a plane ticket, you might browse an airline's secondary marketplace to see if any passengers are selling theirs. At the airport, you check your bag through the airline's luggage delivery service, which tracks your bag's movement using an electronic chip. You are assigned to a middle seat, but with that misfortune comes a consolation prize – the airline has partnered with a promotional brand to offer all middle-seaters a special gift. After landing, you forego baggage claim and head straight to your hotel, where your luggage has been delivered and is waiting for you. This is the future of airline travel according to Poppi, a start-up that hopes to revolutionize the airline industry. Feeling that airlines do not serve passengers well, Poppi aims to “design ways that make money by actually adding value to people's lifestyles,” instead of adding empty fees. Help us, Poppi, you're our only hope.

**Contact:** If you have any questions or comments, please do not hesitate to contact us at 703.992.6164. For more information about Harbour Capital Advisors, please visit our website at [www.harbourcapitaladvisors.com](http://www.harbourcapitaladvisors.com).

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