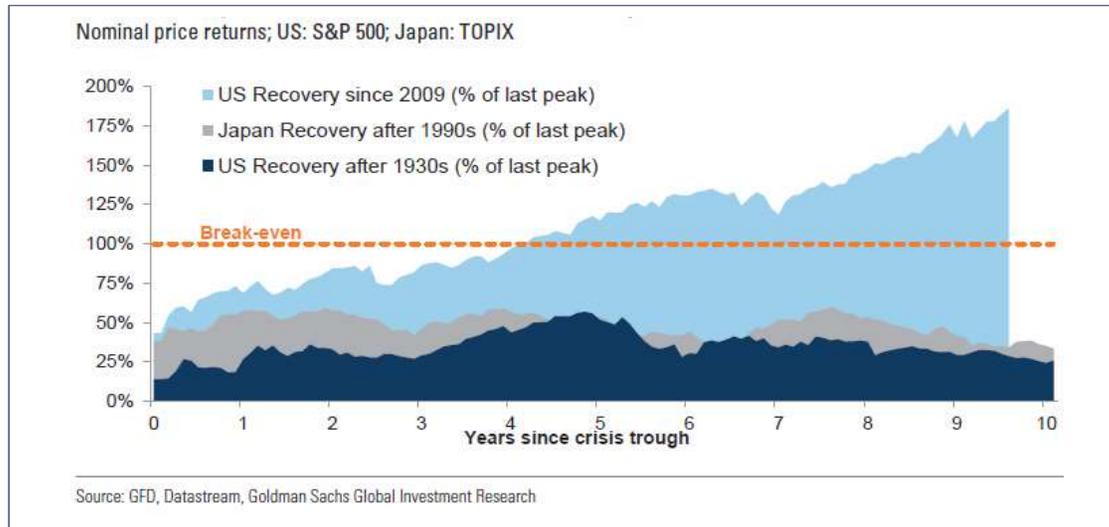


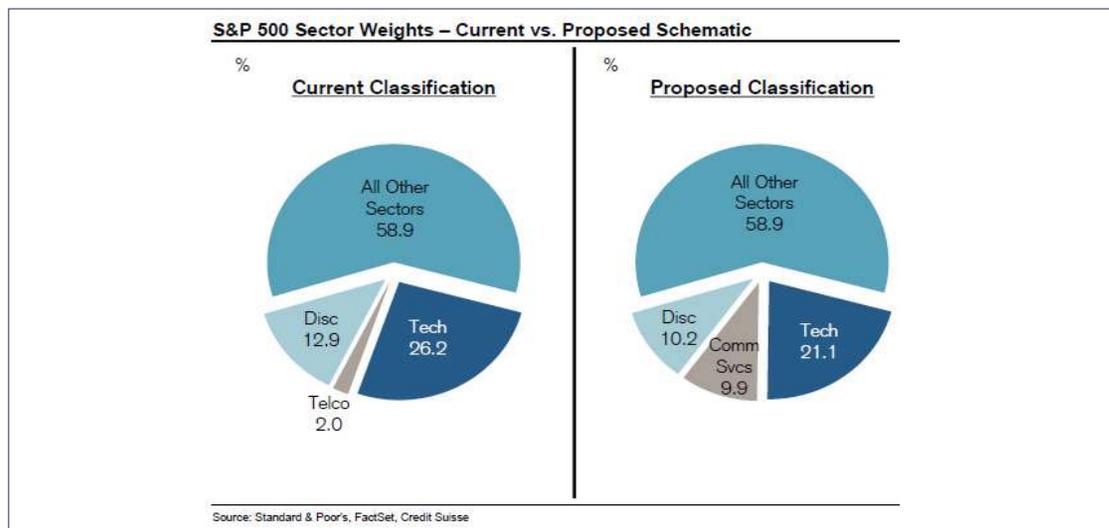
# Market Recap

## A Historic Recovery in Context



Source: Goldman Sachs

## An Old Sector is Reborn



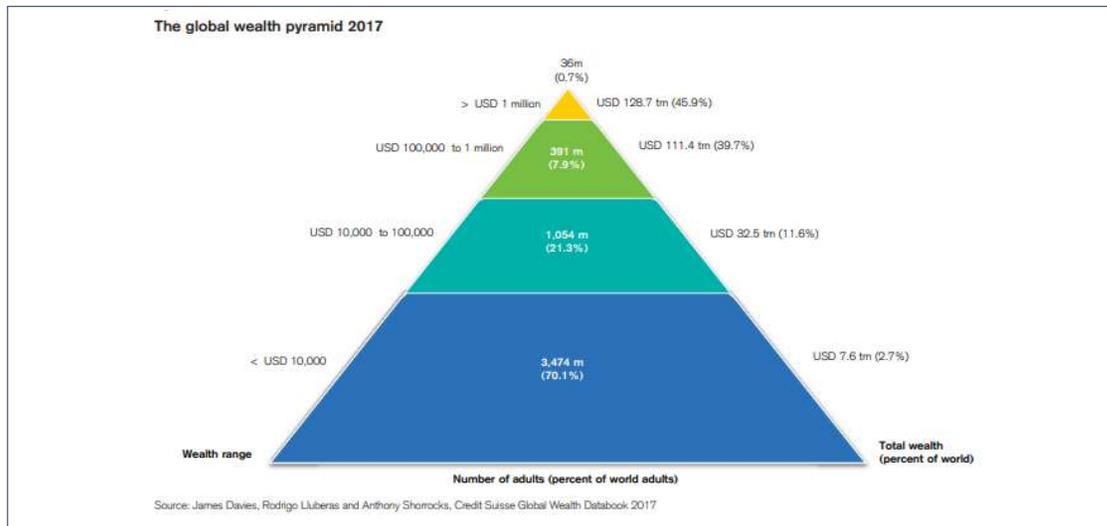
Source: Credit Suisse

The current market recovery from the Great Recession is now the longest on record. One relatively underappreciated aspect of the current U.S. market cycle is the remarkably steady pace of expansion. In contrast to some other major market corrections over the past century (e.g., the Great Depression, Japan's Lost Decade), U.S. stocks fully recovered from their March 2009 lows in just four years. The Federal Reserve's early, aggressive policy approach played an important role in providing support to the market and persuading investors to gradually resume risk-taking activities. Another hidden force behind the current cycle is the dramatic profit growth of companies within the Technology sector – While global Technology earnings have more than doubled over the past decade, the aggregate earnings of all other sectors have barely eclipsed their prior peak.

The S&P 500 index is getting a refresh at the end of the month. The Telecommunication sector will effectively be reconstituted as the Communication Services sector going forward. The sector is being expanded to create a more diverse and higher-growth collection of industry groups. In addition to legacy telecom stalwarts AT&T and Verizon, the modified sector will also include a broader cross-section of media companies, including some more traditional media conglomerates (such as Disney, Comcast, and News Corp.) as well as modern-era disrupters like Google, Facebook and Netflix. Although the new sector contains a disparate set of business models and go-to-market strategies, the unifying thread may be that they are all competing for consumer eyeballs.

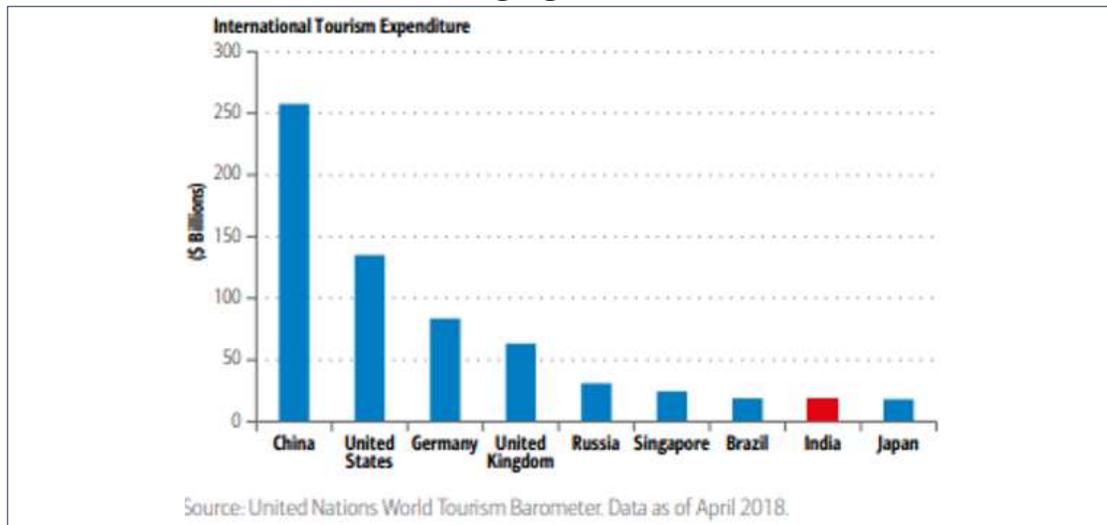
# Market Recap

## Wealth Inequality



Source: Credit Suisse

## Emerging Tourism



Source: Wall Street Journal

The increasing concentration of wealth in recent decades is a worldwide phenomenon. Much of the wealth discrepancy can be explained by countries' differences in average wealth – the average wealth of an individual from a developed market is higher than an individual from a developing market. Within developed markets, individuals with low wealth are more likely to be part of a younger cohort, as it has been a challenge for them to accumulate assets and build wealth. Student debt, inflated real estate prices, and high unemployment rates following the Great Recession have prevented more meaningful accumulation of wealth amongst this group. Although there is a major disparity in the distribution of wealth (8.6% of the global population controlling about 86% of the wealth), individuals with \$100,000 or less account for approximately \$40 trillion USD of the world's wealth. While a more even distribution would be beneficial, the good news is that there is still sizable economic opportunity.

International tourism remains strong in 2018, fueled by a growing class of travelers. The continued globalization of emerging markets is an important component of tourism growth, as individuals are experiencing increased job opportunities and sequentially additional disposable income. International travel among Indians has nearly tripled in the last decade, while India's inbound tourists have increased over 121% since 2012. It's fascinating to observe the variance of tourism receipts per capita amongst China and India (\$189 USD and \$15 USD, respectively). This huge gap is likely to narrow (albeit very gradually), as Indian incomes approach a tipping point where overseas travel becomes more customary.

**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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