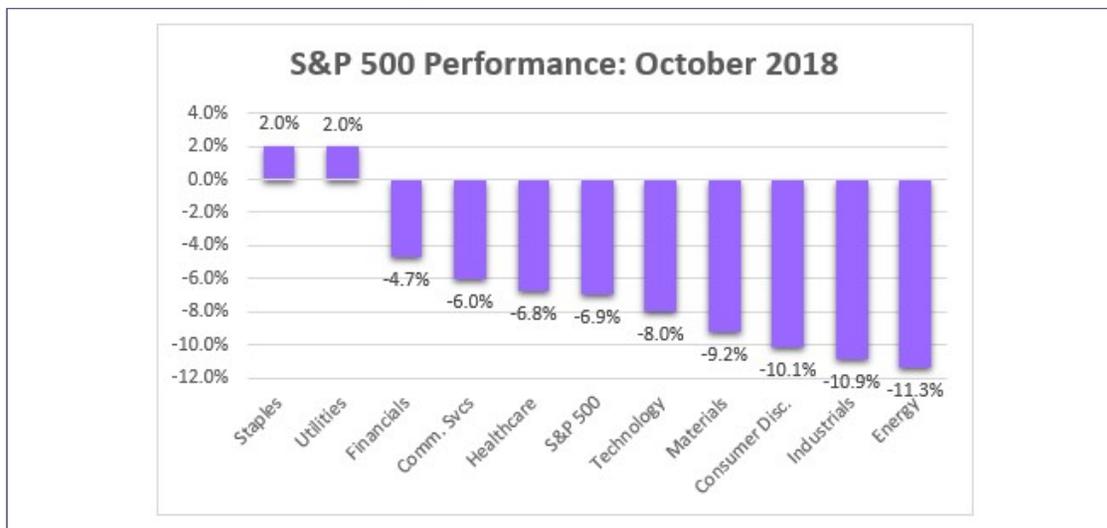


# Market Recap

## Anatomy of the October Sell-Off



Source: FactSet

## Prices on the Rise



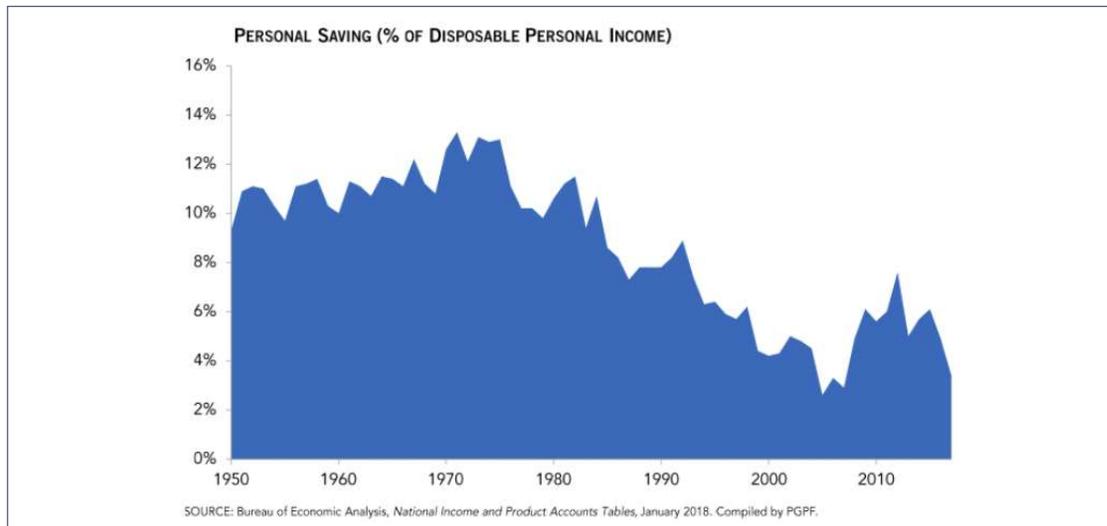
Source: Wall Street Journal

The October sell-off marked an abrupt repricing of market risk that pushed the S&P 500's valuation multiple below 16.0x for the first time in almost three years. Although some of the selling may be attributable to profit-taking amongst 2018 best performing stocks (e.g., Netflix and Amazon), late cycle dynamics were also in play. A peak into sector-relative performance during the correction reveals a broad-based retreat from the most capital intensive and cyclical areas of the market as investors reevaluated the economy's growth outlook. The Consumer Staples and Utilities sectors, generally viewed as stable, safe-haven investments, actually saw their valuations modestly increase as traders hurried to mitigate the damage to portfolios.

Over the past few months, rising costs (e.g., labor, transportation, and interest expense) have led companies to announce price increases for the first time in a while. An environment characterized by low inflation and fierce competition has prevented most consumer-oriented businesses from exercising much pricing power in recent years. However, with the unemployment rate sitting at multi-decade lows, employers must compete more aggressively for workers (wages increased 3.1% y/y in September). Incremental cost pressures stemming from the recent round of tariffs are another source of concern. A successful round of price hikes would help alleviate some of the pressure that higher costs put on profit margins. The good news for companies is that the tailwind from tax cuts has helped support consumer spending, making it a convenient time to push through price increases.

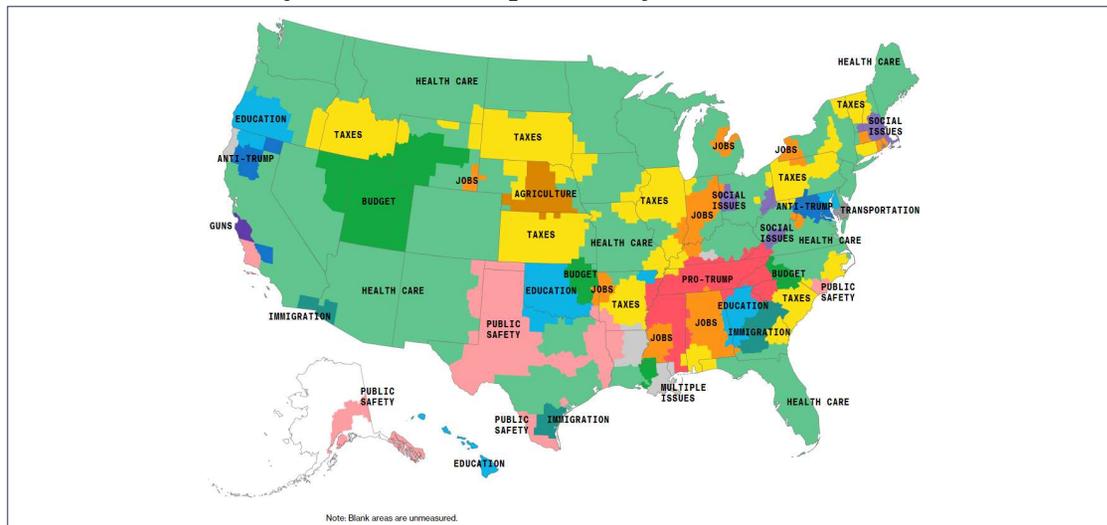
# Market Recap

## Financial Literacy



Source: Peter G. Peterson Foundation

## Key Issues as Captured by Election Ads



Source: Bloomberg

With proper education, financial freedom is an attainable goal for most people. Unfortunately, many fall short due to the lack of financial education received throughout their lives. The average American has over \$6,000 in credit card debt, less than half of Americans have enough savings to cover a \$1,000 emergency, and younger generations are suffocating in student loan debt. Financial literacy is a notion that is expected to be mastered by adults, yet it's not. There seems to be a fundamental disconnect between effectively managing finances and the extent to which a typical high school student has access to basic financial education. Though high school students are exposed to many important subjects, financial education – a topic that impacts virtually all walks of life – is not a requirement. Making financial education more accessible in high school would better prepare Americans for critical financial decisions down the road and unlock a heap of opportunity.

During campaign season it's nearly impossible to go through a daily routine without running into a political ad. Heading into Tuesday's midterm elections, there were nearly 3.5 million televised ads, one million more than aired during the 2014 midterms. While various regions of the country have different priorities, the most common themes were healthcare, jobs, and taxes. To state the obvious, political ads are tailored for relevant voter issues, meaning taxes were a dominant topic in Idaho, while Florida voters saw a lot of healthcare ads. Indeed, healthcare carried the broadest interest across the U.S. and was a priority issue for more than 50% of voters. However, just because a topic wasn't a top regional issue doesn't mean it wasn't being addressed through advertisements. For instance, even though social issues were a top issue in only six markets, they were mentioned at least once in 95% of markets.

**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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