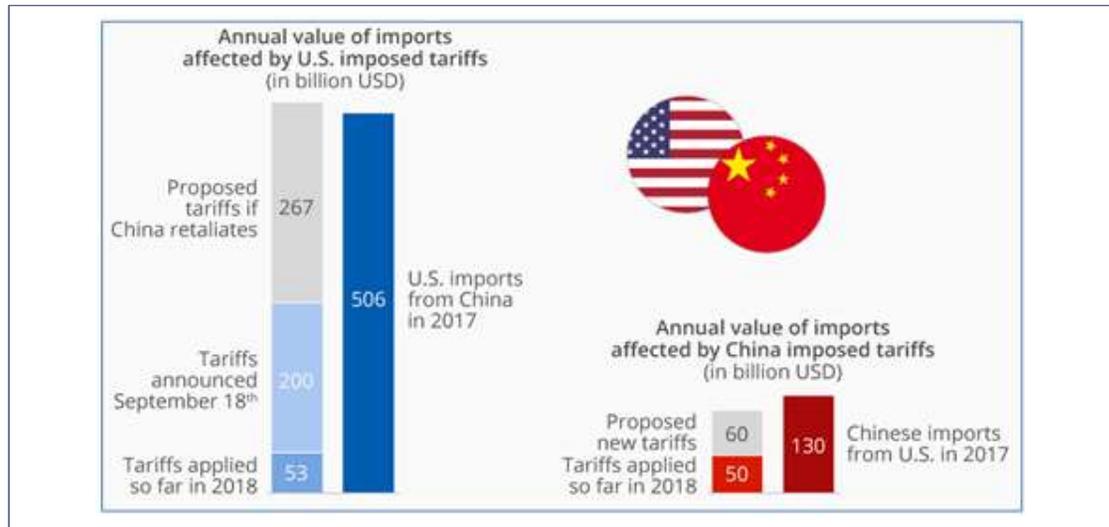


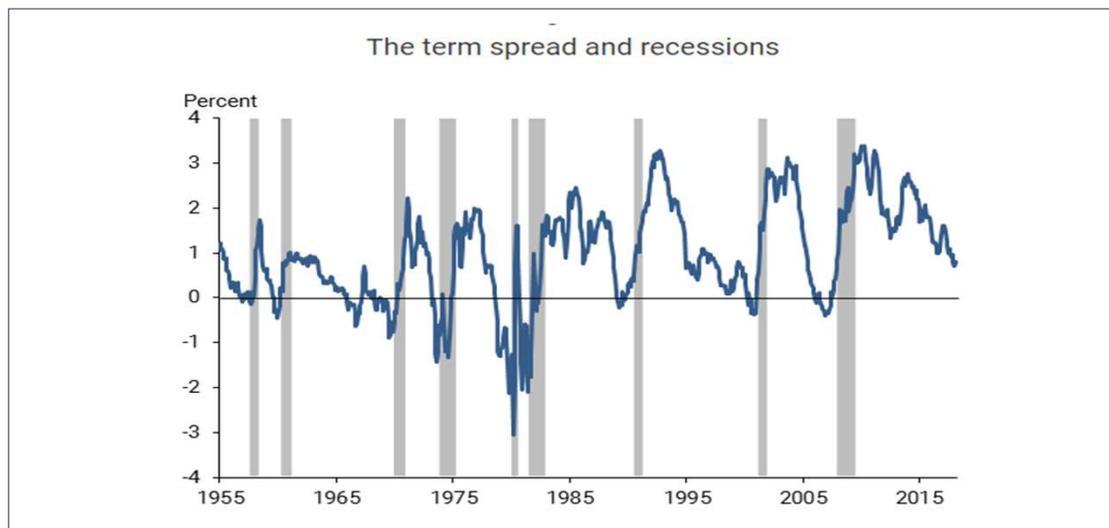
Market Recap

U.S. – China Tariffs



Source: Statista

Yield Curve Inversion



Source: Credit Suisse, Federal Reserve

The American and Chinese governments will undoubtedly continue to jockey for position amidst an environment of elevated trade tensions. Although negotiations at the recent G20 summit provided some near-term clarity on the tariff situation, there is still much disagreement amongst economists as to the trade war's true impact. The variance in forecasts is attributable to uncertainty about future policy actions, their secondary effects on other trade partners, not to mention the ultimate time horizon for the conflict itself. While the consensus view is an expected decline in global economic output, most studies also suggest that over the intermediate term, the economic consequences should remain manageable for the U.S. economy.

While an inverted yield curve (when short term interest rates exceed long ones) is a well-known augur of recession, many don't realize that there can be significant (and varying) lag time between the initial inversion and the eventual descent into recession. Indeed, although the yield curve has inverted prior to each U.S. recession over the past 50 years, on average it did so nearly two years (22 months) before the actual onset of recession. Surprisingly, stock returns over the 12 months following initial inversion have averaged +11%. The markets will be watching closely to glean if and when other key recession indicators (e.g., rising unemployment, credit deterioration) will corroborate the yield curve's warning.

Market Recap

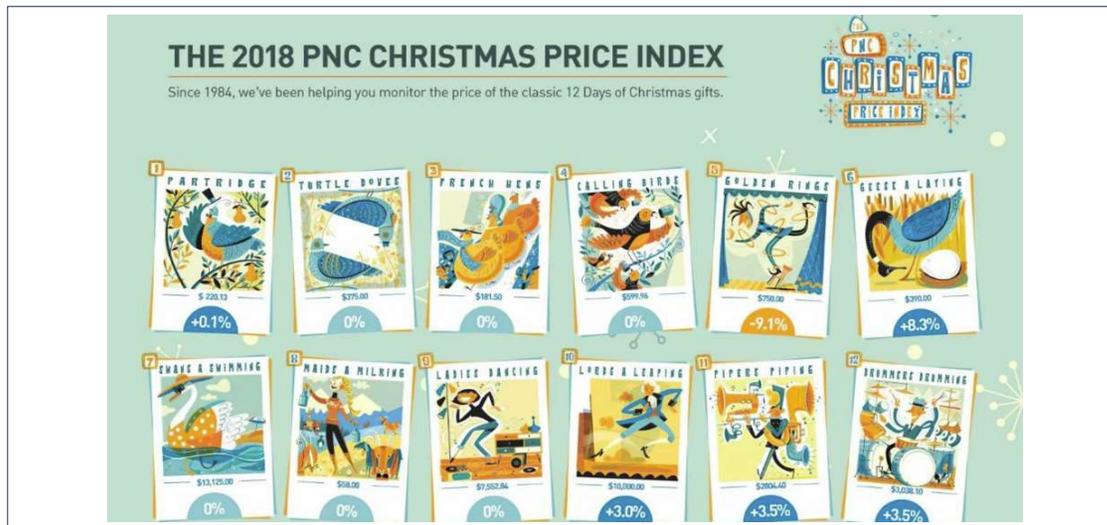
The Rise of the Standard Deduction

	2017	2018
Married Filing Jointly	\$12,700	\$24,000
Head of Household	\$9,350	\$18,000
Married Filing Separately	\$6,350	\$12,000
Single	\$6,350	\$12,000

Source: Harbour Capital Advisors

As 2018 wraps up, households should start thinking about their upcoming tax filings. Though filing deadlines are still distant, new legislation will impact many tax payers. One notable change this year is the nearly doubling of the standard deduction, which should simplify both the calculation of taxable income and preparation of tax returns. With over half of households already selecting the standard deduction, the amount is expected to increase – the revised tax code is set up so more households are incentivized to select the standard deduction, meaning a household with a married filing jointly status needs more than \$24,000 (previously \$12,700) of itemized deductions for it to be worth it to itemize. Additionally, there are new limitations on some itemized deductions that previously did not have ceilings, such as state and local tax deductions, which are now capped at \$10,000 for married filing jointly households, while many other itemized deductions were eliminated entirely.

35th Annual PNC Christmas Price Index



Source: PNC

Since 1984, PNC has helped monitor the price of gifts from the holiday favorite song “The Twelve Days of Christmas” through its Christmas Price Index. The index tracks the current cost of one set of each of the gifts, while also serving as a light-hearted inflation gauge. When the index first started, goods (e.g., five golden rings) were the most expensive component of the index. Since then, the price of services (e.g., nine ladies dancing) have grown at an accelerated rate relative to goods, making them the more expensive constituent in the index today. Wage increases and fuel costs have been key contributors to the rise of the index. While it may not be the most methodical approach, the PNC Christmas Price Index allows for a slightly more fun way to introduce basic economics to the family!

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.

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