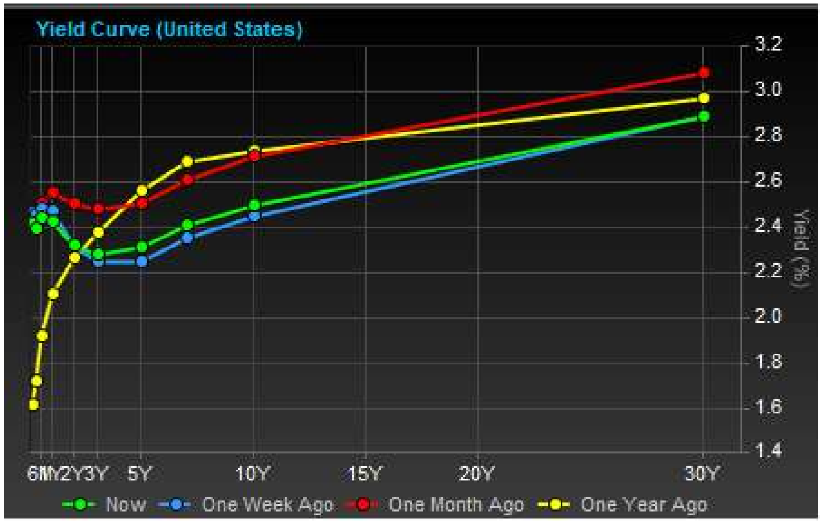
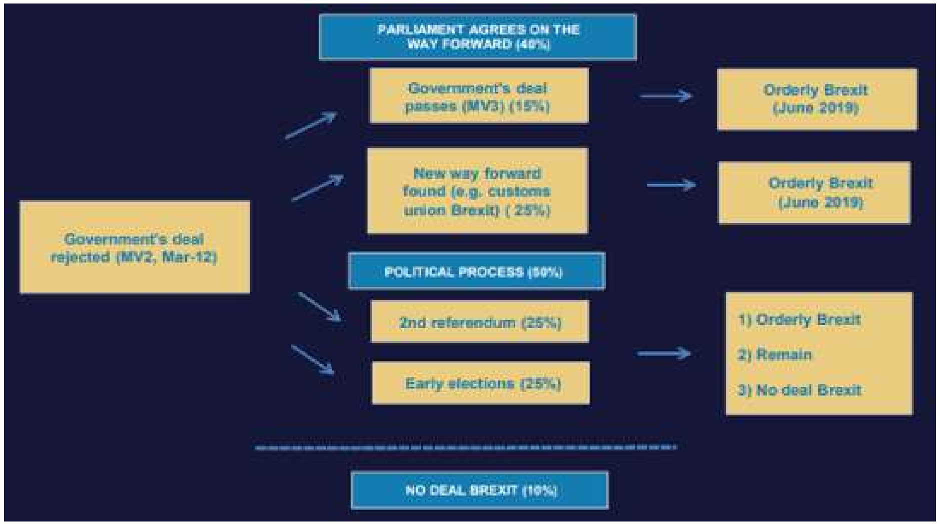
Market Recap

An Inverted Yield Curve



Source: FactSet

A Painfully Slow Brexit



Source: Morgan Stanley

As widely anticipated, last week the 10-year Treasury bond yield dipped below the 3-month Treasury bill yield, resulting in an inverted yield curve for the first time since 2007. Though the yield curve has a well-documented track record as a leading recessionary indicator, it's important to evaluate the current economic backdrop relative to past cycles, as this *could* prove to be nothing more than a head fake. While the yield curve is flashing orange, other key recession indicators (e.g. rising unemployment, credit deterioration) have yet to corroborate the yield curve's warning. Indeed, current conditions are somewhat unique, given the Fed's use of unconventional monetary policy techniques (e.g. quantitative tightening) and an economy that continues to experience little inflation. Investors will be looking for yields to normalize once the Fed completes its balance sheet run-off in September.

Nearly three years after the U.K.'s public vote to withdraw from the European Union, the Brexit process remains a deeply divisive issue for the country, a product of competing interests and a persistent lack of consensus on the path forward. Although the original deadline for Brexit was March 29th, Theresa May's inability to obtain Parliamentary approval has delayed the decision until April 12th (although that date too may be pushed back). Many clouds still linger over the region's future trading relationship, as it remains to be seen whether the U.K. will break fully free from the EU. Regardless of whether May's Conservative Party or the opposition Labour Party prevails, the EU has little incentive to offer either a better deal.

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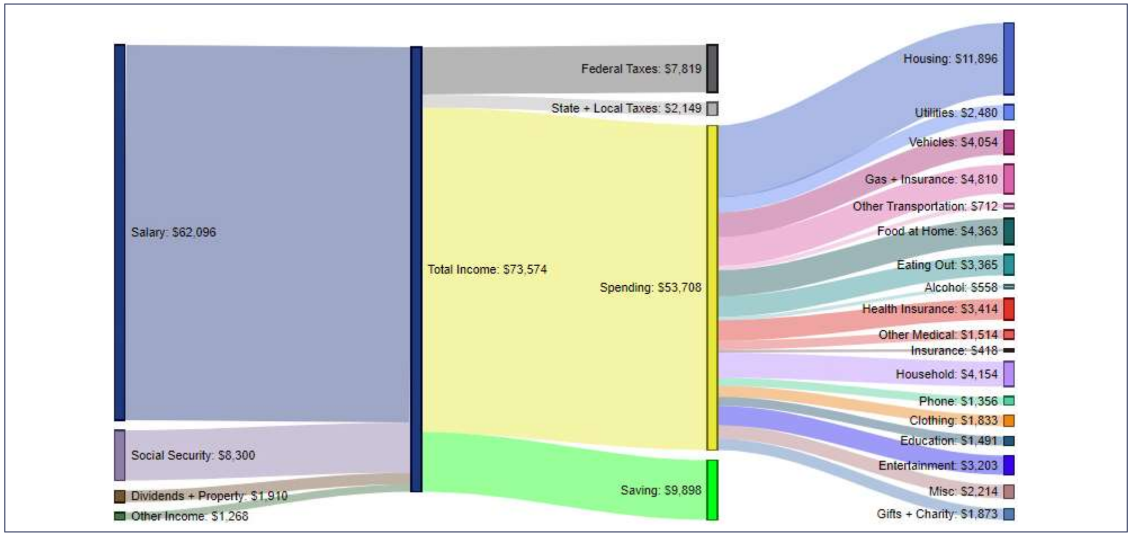
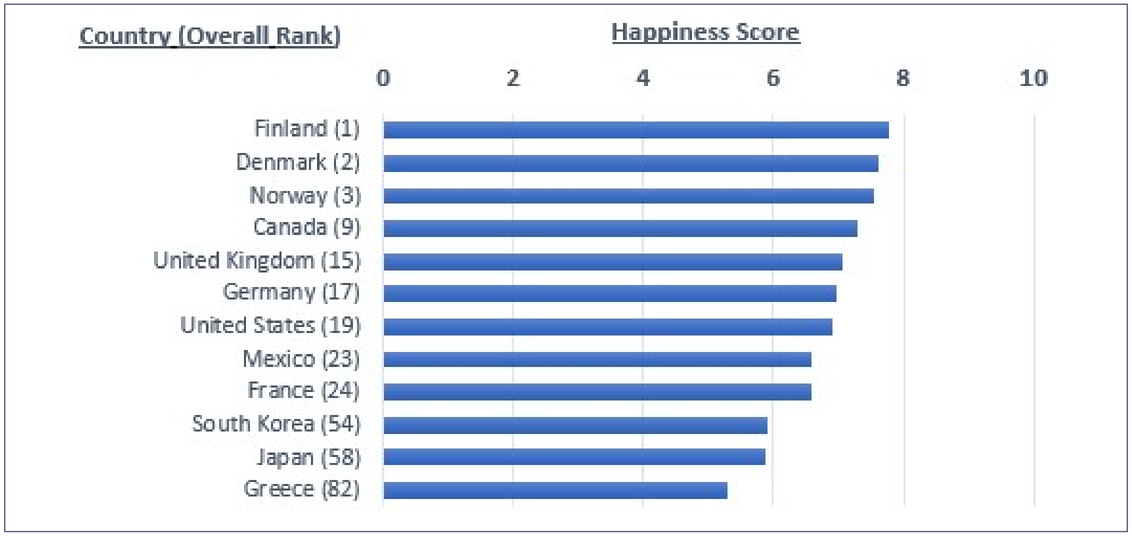
Household Spending



Source: Visual Capitalist

The relationship between total income relative to expenditures plays a big role in determining how a given household spends money. For the average American family, housing is the biggest cost, accounting for ~22% of total spending. Housing expense is roughly comparable on a percentage basis across income tiers, as the top quintile also allocates 22% of total spending to housing and the bottom quintile allocates 26%. However, the net savings rate paints a very different picture – Higher income households allocate a smaller portion of their spending towards basic needs such as groceries and utilities, and thus have a greater capacity to spend on luxury items without compromising their ability to save. For example, the top quintile is able to save ~26% of total income, the average American family saves 13%, and the bottom quintile is able to just break even.

2019 Happiness Index Rankings



Source: United Nations, Harbour Capital Advisors

The Sustainable Development Solutions Network has released their annual edition of the World Happiness Report, a unique alternative approach to observe economic and social progress around the world. 156 countries are ranked based on how happy their citizens are perceived to be, interpreting results based on six variables that have been found to support well-being: income, healthy life expectancy, social support, freedom, trust, and generosity. The report uses survey data derived from countries' citizens to determine a country's average happiness score on a scale of 0-10, with a score of ten being the best possible life and zero being the worst possible life.

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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