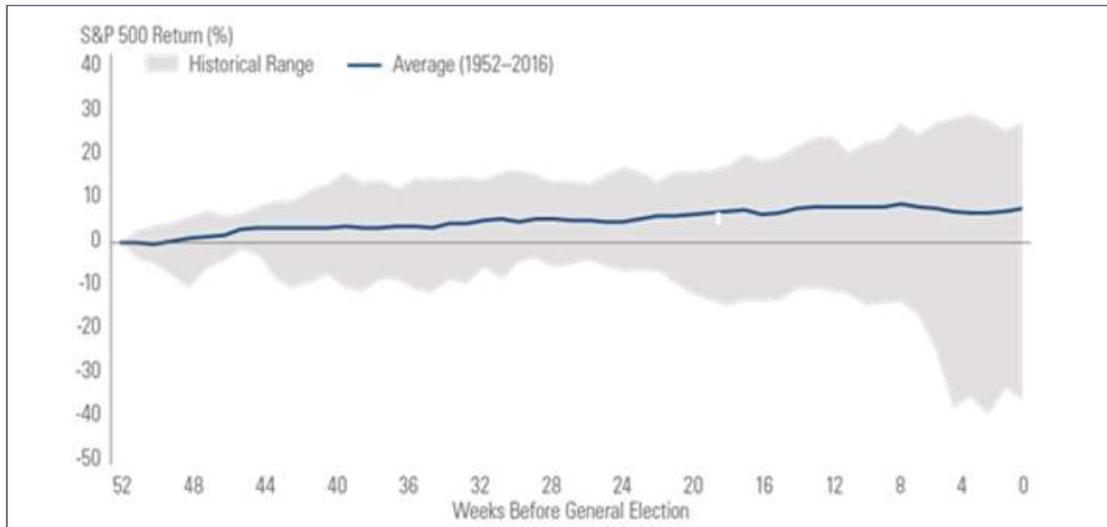


Market Recap

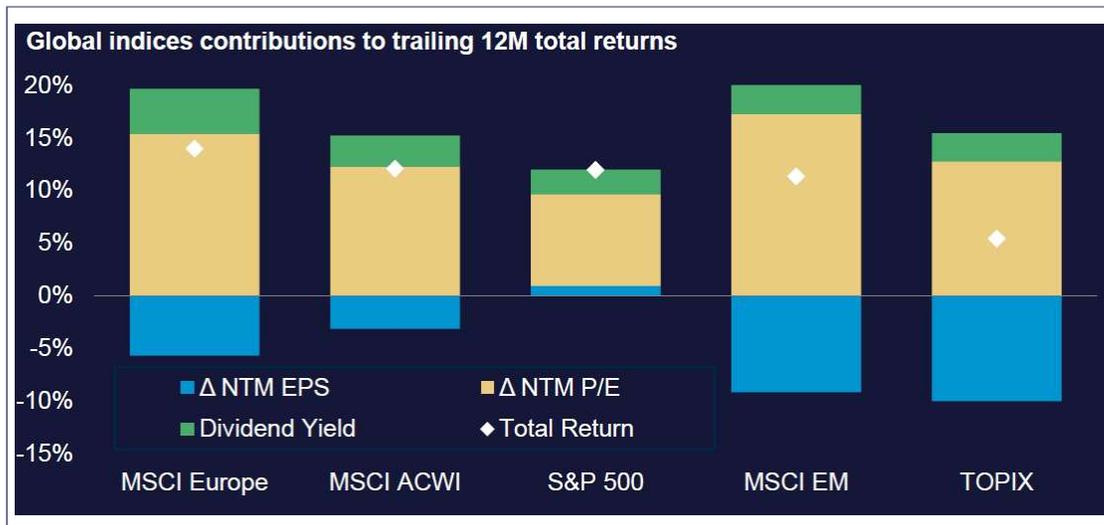
Elections & Economics



Source: Bloomberg, GSAM

As the calendar year flips, the 2020 presidential election will be at the center of investors' attention. History shows that while no two election cycles are exactly alike, market returns tend to be positive mid-single-digits (on average) in the months leading up to an election. Averages notwithstanding, the final three months before an election have proven to be particularly volatile as investors feverishly speculate on the economic fallout of an unknown outcome. It's easy to get lost in the minutia as the presidential race begins to dominate news flow, and short-term political points often grab the lion's share of attention. That said, rather than focusing on the play-by-play, investors would do well to not only analyze each presidential contender's agenda, but also the odds of successfully navigating congressional gridlock.

The Pendulum Swings: Valuation Leading the Way

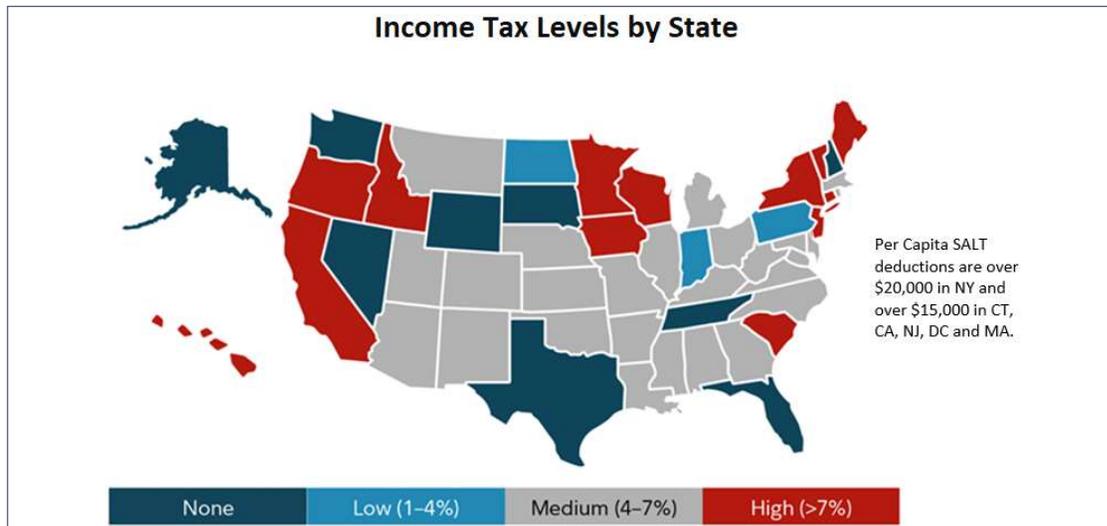


Source: Morgan Stanley

The drivers underpinning strong 2019 YTD market returns reflect a sharp contrast relative to 2018. Whereas robust earnings growth (+22% y/y) fueled the market in 2018, profit growth has been considerably more muted this year as trade uncertainties hinder business activity. While trade-related concerns persist, the Fed's decision to reverse course on interest rate policy has bolstered overall investor confidence (as reflected in higher valuation multiples). At the same time, amidst a global slowdown in economic growth, the fundamental backdrop in the U.S. continues to be one of the most resilient. Looking ahead, with valuations now above longer-term averages, the trajectory for 2020 market returns will once again be more dependent on bottom-line results.

Market Recap

Hold the SALT with Munis



Source: Federation of Tax Administrators

Food for Thought



Source: Statista

Tax reform in 2017 placed a \$10,000 annual cap on State and Local Tax (SALT) deductions. High-income earners were hit particularly hard by this cap as the deduction is used to reduce federal tax payments. An initial review conducted by the U.S. Treasury determined that around 10.9 million taxpayers would be unable to deduct a total of \$323 billion in SALT payments on their 2018 returns. Reducing the SALT deduction is projected to raise more than \$650 billion over 10 years and mitigate the cost of lower corporate and individual tax rates. Consequently, the additional tax burden has spurred investors to focus on generating tax-free income with municipal bonds. However, local income and property tax rates can vary widely from one jurisdiction to another, so the impact of the SALT cap isn't uniform across all 50 states.

On average, the cost of a Thanksgiving dinner will be \$48.91 for ten people in 2019. Although this amount will only be a penny more than last year, the individual items for this feast will see more varied changes in price. Given an abundant supply of turkey, a 16-pound bird will cost \$20.80 which is \$0.91 less than last year while sweet potatoes and milk have increased by \$0.36 and \$0.18 respectively. The American Farm Bureau tracks this information and it can be a useful read-through for larger trends in inflation. Purchased meals and beverages have averaged a modest 2.0% rise thus far in 2019 versus a rise of 4.3% in 2018. While often overlooked, stable prices are one more thing to be grateful for this holiday season.

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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