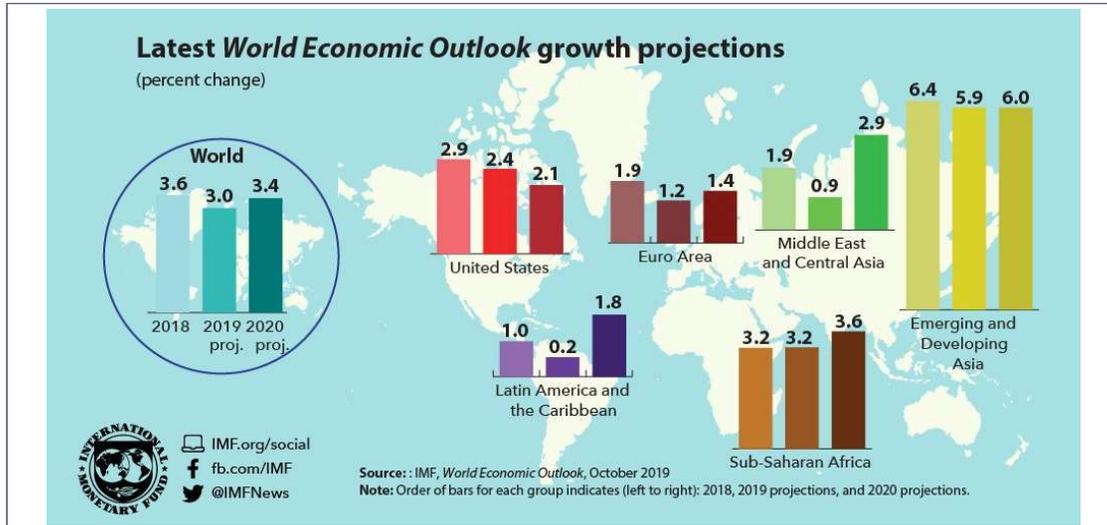


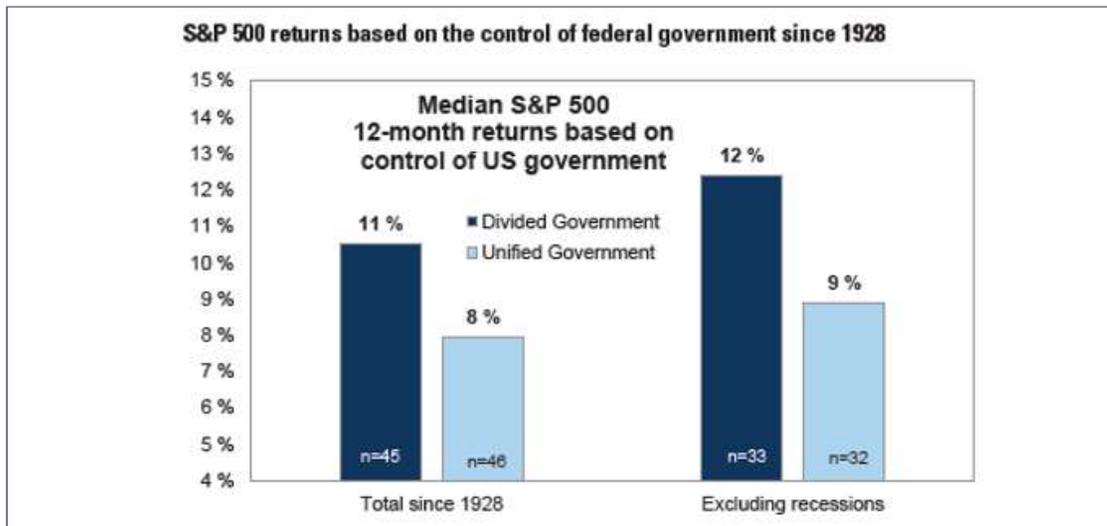
Market Recap

Lower, for Longer, To Be Continued...



Source: International Monetary Fund

Investors Often Prefer A Divided Government



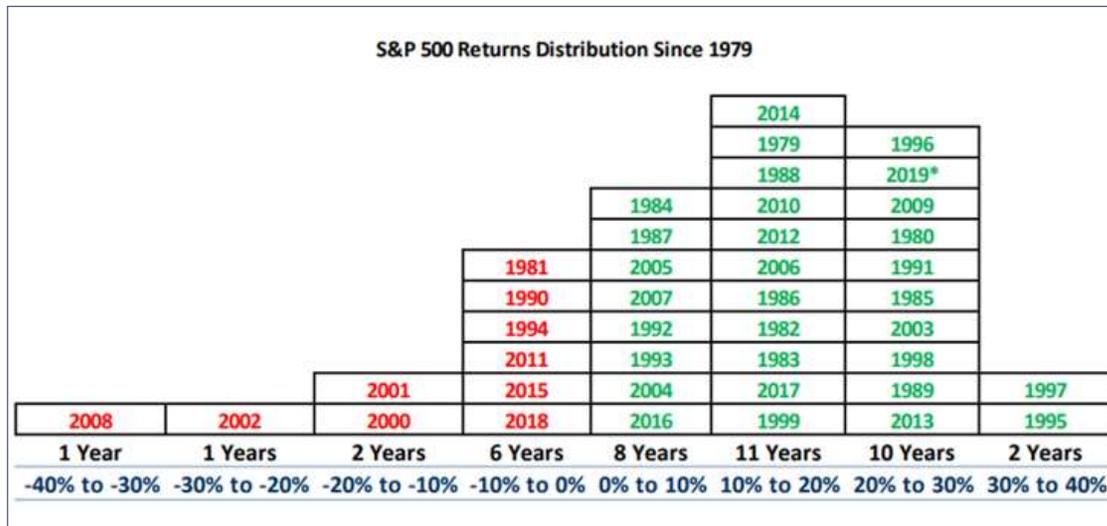
Source: Goldman Sachs

A widespread slowdown in manufacturing activity has been the central theme in 2019. Global trade volumes are at their weakest levels since 2012, and geopolitical tensions continue to dampen economic prospects. The IMF estimates that the U.S.-China trade conflict will reduce global GDP by 0.8% in 2020, and it will likely remain the largest risk factor to forecasts (both good and bad). On the positive side, resilient growth within the services sector has buoyed the overall economy, as both labor markets and consumer spending remain healthy. These dynamics should support growth in developed markets, and a rebound in the more cyclical emerging economies is expected to drive a modest uptick in global growth next year. While accommodative central bank policy has been a tailwind, a more meaningful improvement in the economy will be increasingly dependent on an uptick in productivity-oriented business investment.

Since 1928, the S&P 500 median 12-month return in an election year has been 9% (excluding recessions) when a united party controls the White House, Senate and House of Representatives. While noteworthy, it's more impressive that this index has typically risen 12% when the government is divided. Taken as a whole, investors appear to prefer the vigorous debate of a divided government versus one-party rule. Checks and balances promote stability and ensure that politicians account for a variety of viewpoints to move policies forward. A divided government is likely to result in gridlock rather than a complete overhaul of thorny issues like healthcare, taxation or education. Regardless of who wins the Democratic Nomination (or the White House), a divided government remains the most likely outcome and should help anchor investor sentiment both before and after the 2020 election.

Market Recap

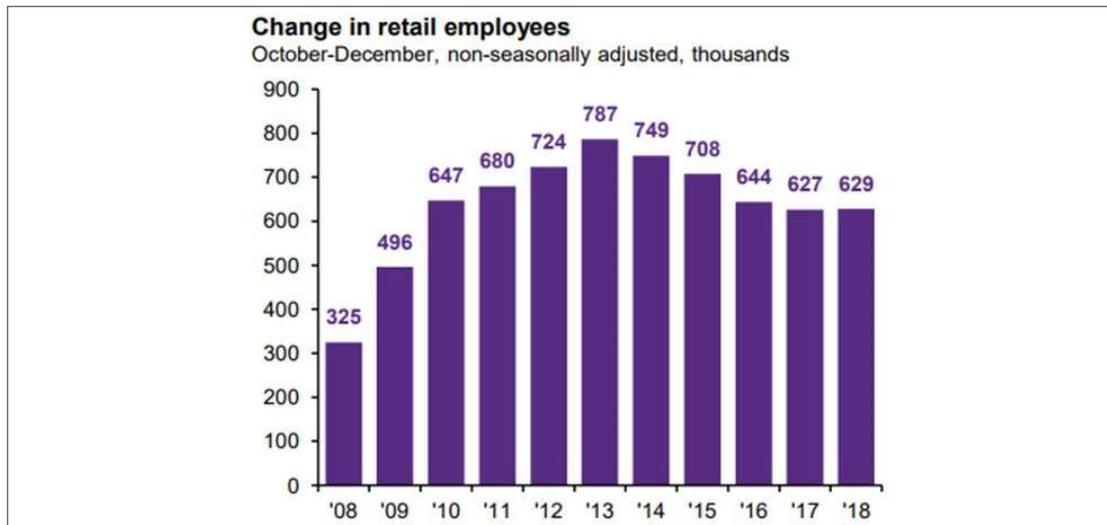
Leaning Green



Source: RBC Wealth Management, Bloomberg (*2019 return as of November 26)

The investment experience is often characterized as an uncomfortable one. There are frequent whispers about a looming recession and concerns that the bulk of money-making may be in the rearview mirror. What's more, geopolitical events tend to be dynamic and unpredictable, and their economic consequences can take years to play out. These uncertainties notwithstanding, history has revealed that in most years, markets tend to move higher. Over the past forty years, markets were positive or flat for thirty of those periods. Even in down years, returns are most frequently range-bound between 0% to -10%. Although it's impossible to predict what will happen in the stock market next year, historical data can provide useful context in establishing baseline expectations.

Retail Jobs Fade as Warehouse Roles Rise



Source: J.P. Morgan

On Black Friday, online sales totaled \$7.4 billion in the U.S., an increase of 14% from 2018. At the same time, online shopping caused foot traffic to decline by 6.2%. Indeed, holiday-related retail employment has likely reached a secular peak and is unlikely to recover. November's employment report exposed the persistence of this trend and showed a 6% year-over-year decline in non-seasonally adjusted retail employment. Nonetheless, wholesale employee hiring from October-December has been on the rise. Part of this shift from retail to wholesale positions is likely warehouse workers preparing online shipments. While it may benefit the consumer, as automation continues to perform an increasing proportion of tasks throughout the value chain, future generations will likely need to turn elsewhere for a seasonal paycheck.

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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