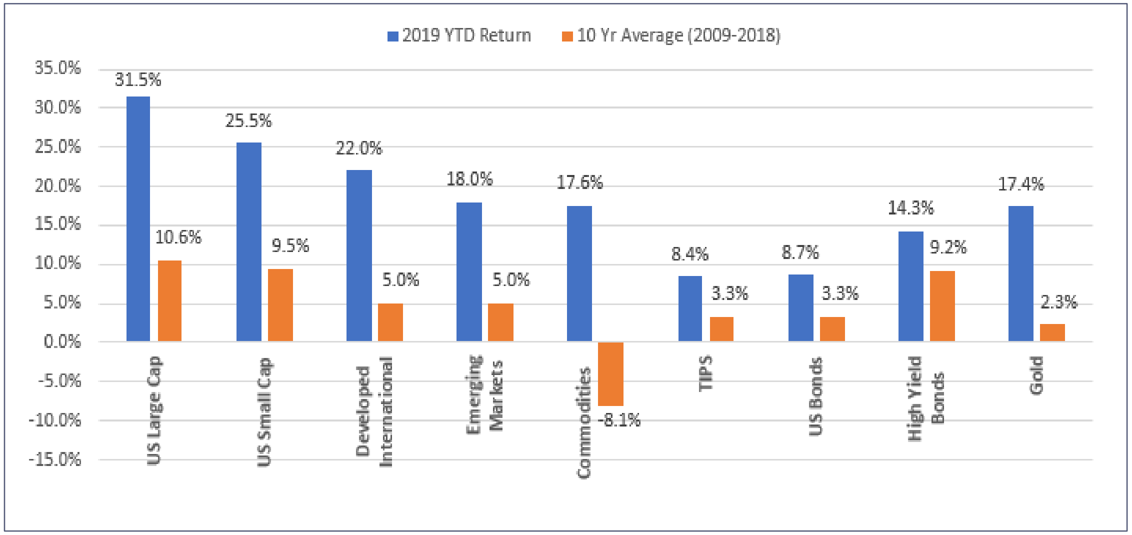
Market Recap

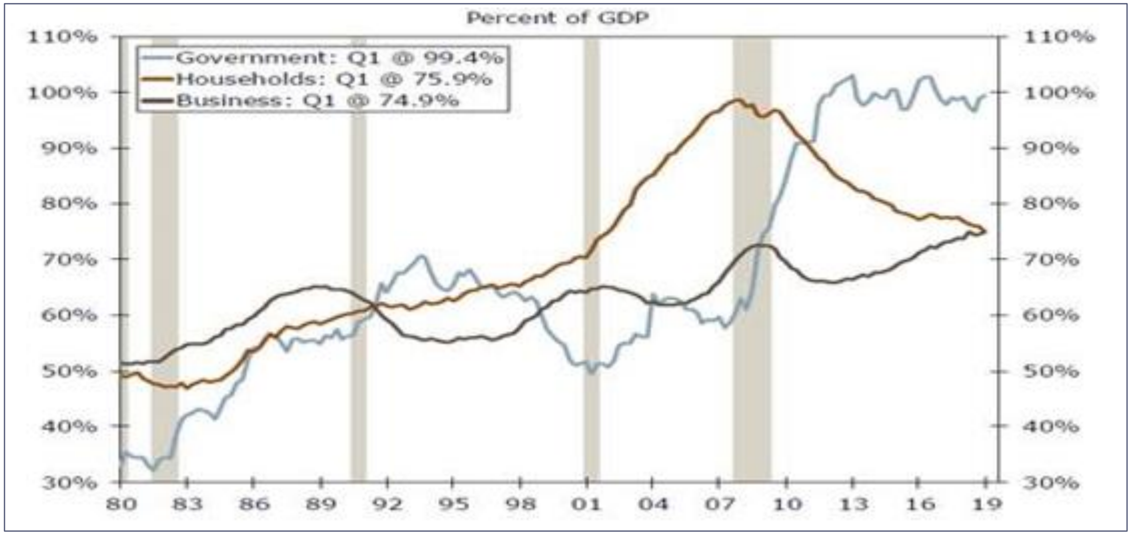
2019: All Asset Classes Were Above Average



Source: Harbour Capital Advisors

After a disappointing 2018, markets rallied in a big way over the past year. Returns in 2019 for all major asset classes (both domestic and international stocks, bonds, and commodities) finished above their 10-year averages. Such broad-based strength is rather uncommon and will certainly make for a difficult year-over-year comparison in 2020. Indeed, 2020 is likely to be a year where elevated expectations move lower to align with economic fundamentals. Consequently, asset returns are likely to be relatively low. Historical averages provide a useful context in setting expectations for longer-term forecasts. However, history suggests the returns in a given calendar year can vary significantly. In both the good times and the bad, a well-diversified portfolio remains a fundamentally sound approach to managing market volatility and achieving goals.

Don’t Despair Over U.S. Debt Yet



Source: Bank for International Settlements and Wells Fargo Securities

Total debt in the United States has risen substantially in both absolute terms and as a percent of GDP from a few decades ago. One noticeable exception has been household borrowing, which has fallen since the Great Recession. Household net worth has risen significantly while the percentage of income consumers need to service their monthly debt has declined with record-low interest rates. Business debt has risen by roughly $5 trillion during the last ten years. Consequently, the debt-to-GDP ratio of the business sector sits at its highest level in 40 years. Meanwhile, debt of the Federal Government has exploded since 2008. However, the overall debt-to-GDP ratio of the U.S. economy has receded from its peak during the Great Recession.

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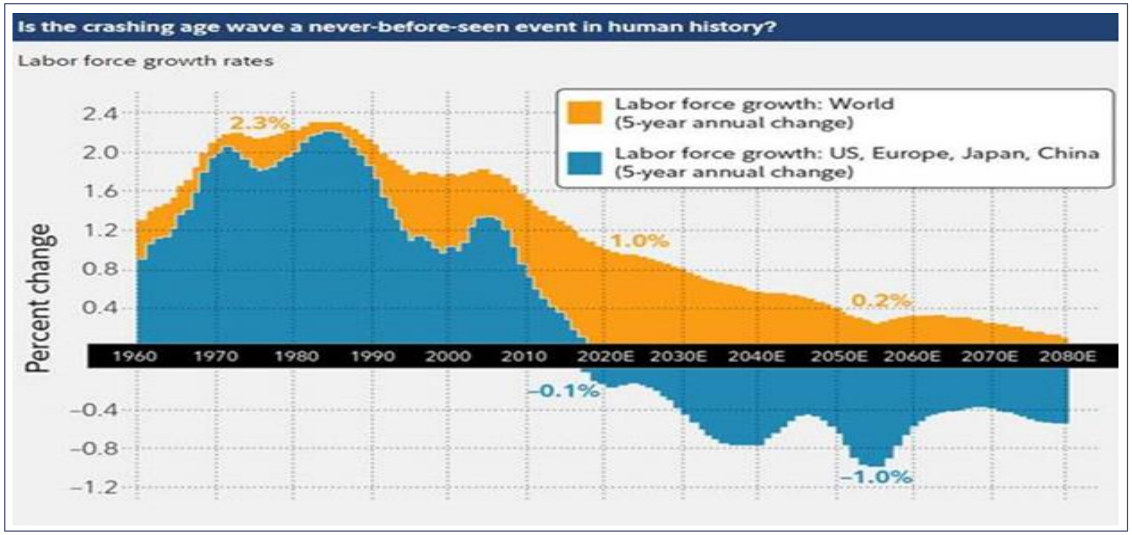
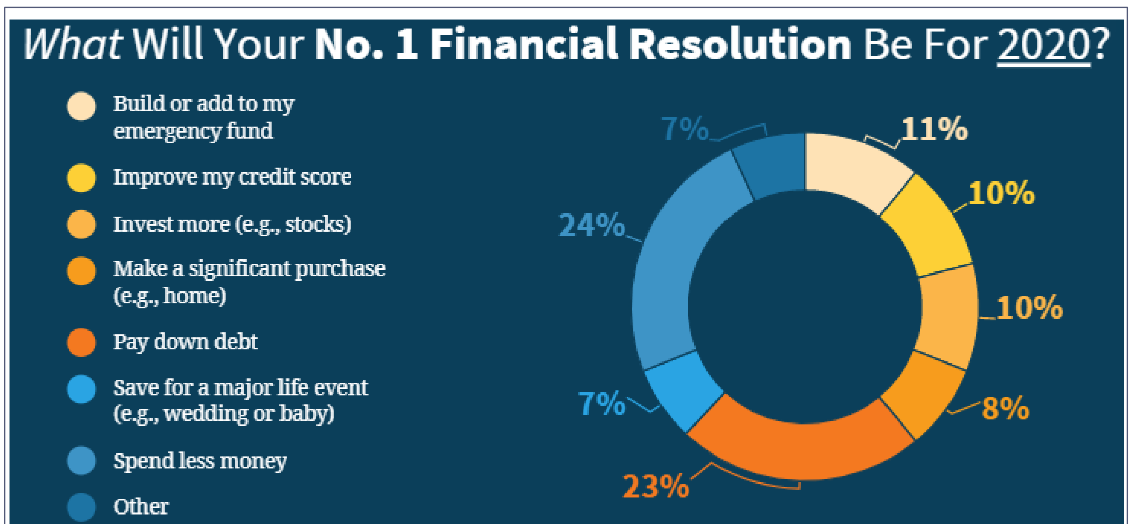
Lower Growth With Less Labor



Source: Fidelity

A growing labor force is critical to economic growth. Unfortunately, a significant decline in labor is occurring globally, especially in developed economies such as the United States, Europe, Japan, and China. In 1985, the five-year annualized growth rate of the earth's labor force peaked at +2.3%. By 2055, global labor growth may diminish to just 0.2% from +1.0% today. Among the leading four regions of the world, the situation is even more dire. After labor growth recently fell to zero, analysts project labor growth rates to plummet to -1.0% by 2055. Long-term global growth will be hampered because declining populations will consume less. Although retirees and older generations may keep demand stable initially, the pipeline of workers is not being replenished effectively. Consequently, this may hinder economic growth going forward.

Starting Off On the Right Foot



Source: GOBankingRates

The start of a new year is a great time to take stock and set new goals (or re-commit to existing ones). Whether it's related to finances, health, or something else, taking the time to articulate goals provides a sound starting point for getting more of what we want out of life. It's also important to set an achievable goal that is facilitated by a well-structured game plan. Without that, it can be easy to get overconfident and go astray (we speak from experience!). When it comes to saving more and spending less, a handy way to simplify a savings plan is to set it on autopilot—Setting up recurring auto deposits to a savings account is a great way to make consistent progress without a whole lot of effort.

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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