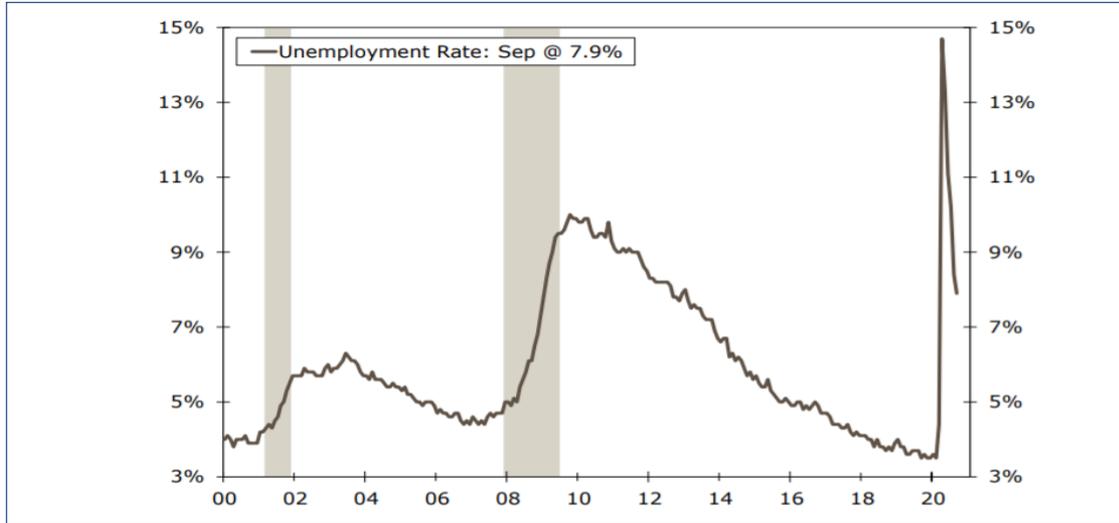


Market Recap

Unemployment Update



Source: Wells Fargo

Last month, nonfarm employers added 661 thousand jobs to the economy. While this is a positive development, it shows a decelerating trend as this amount was less than half of the jobs added in August. Although the unemployment rate fell to 7.9%, permanent layoffs continue to rise. More workers are leaving than joining the economy as twice as many people (-695k) people left the labor force than became employed (+275k). Although just over half of the 22.2 million jobs initially lost are now back, the second phase of the recovery will be much slower and more arduous than rapid job gains since May. Even if GDP returns to a pre-pandemic peak in 2021, a complete job recovery is unlikely before the end of 2022.

Valuations and Market Cycles

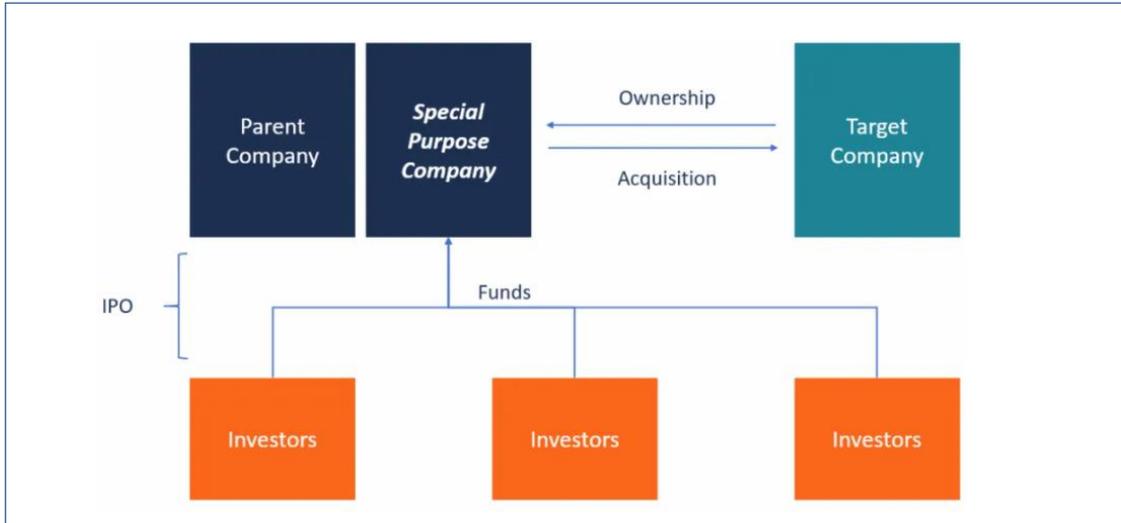


Source: FactSet

Over time, stock returns are primarily the result of two variables: growth in corporate earnings and changes in valuation (valuation multiples for those earnings). With the S&P 500 trading at a P/E ratio of 22x (above long-term averages), some investors are wary of an impending downturn. However, market valuations often appear high in the early stages of a new bull market as investor expectations (reflected in valuation levels) tend to recover more quickly than underlying profits. Consequently, any valuation framework based on temporarily depressed earnings over the next year will suggest stocks are unusually expensive. However, once those profits (earnings) do bounce back, valuations tend to normalize. Additionally, a low-interest-rate environment and substantial backing from the Fed provide additional support for equities as well.

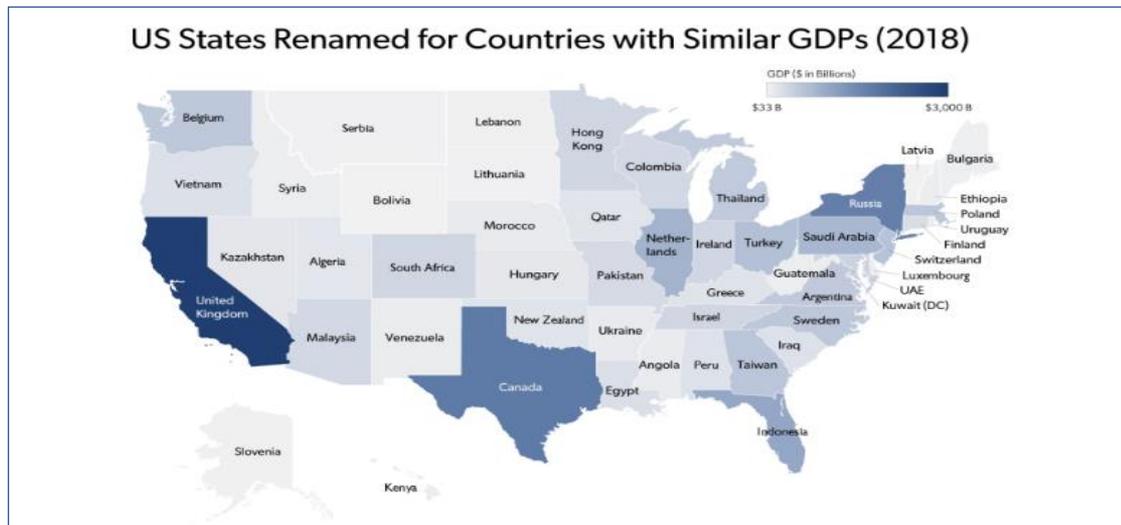
Market Recap

Speculating with SPACs



Source: Corporate Finance Institute

Around the World in 50 States



Source: Bureau of Economic Analysis and IMF

Investments known as special purpose acquisition companies (SPACs) have become increasingly popular across the investment community. Experienced business executives typically form SPACs to acquire companies within their industries of expertise. A SPAC raises funds through the public markets. After fundraising, the capital sits in trust as the deal team searches for target companies to acquire. Target companies favor acquisitions by a SPAC because acquired companies can then bypass the traditional IPO process that involves additional costs and regulations. Minority investors in SPACs face several risks. They are unable to perform any substantive due diligence. Although the process is comparable to investing in private equity or venture capital, it has fewer constraints and typically offers less of a track record. Consequently, SPACs can be much more speculative than other investments.

Until one looks abroad, it can be hard to appreciate just how big the U.S. economy is relative to the rest of the world. California and Texas each have a GDP that would rank within the ten largest global economies if they were sovereign nations. A look further down the list is equally eye-opening as the economic output of New York is on par with Russia, Florida matches Indonesia, and Virginia is neck and neck with Argentina (a country that ranked inside the global top 15 a century ago). Thanks to remarkable workforce productivity and supported by strong institutions, the U.S. generated almost 25% of global GDP in 2019, with just 4% of the global population!

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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