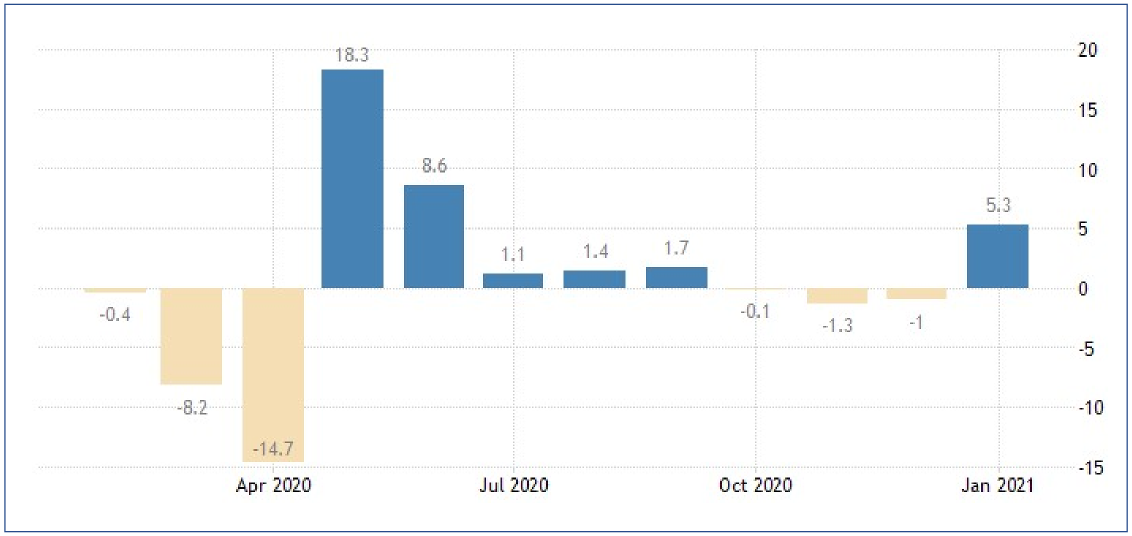
Market Recap

Harbour Capital ADVISORS

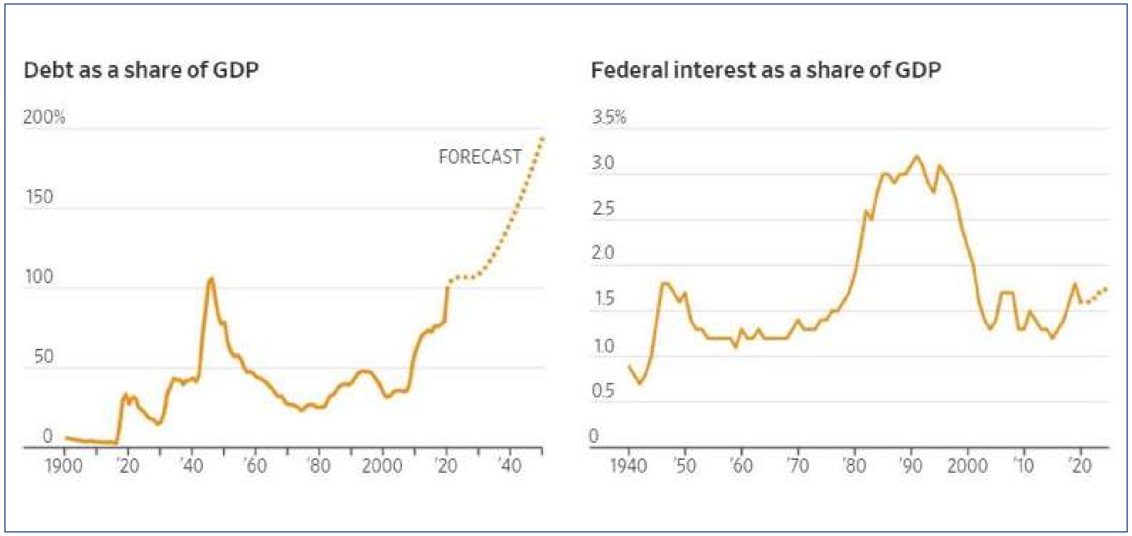
Retail Sales Rebound



Source: Trading Economics, U.S. Census Bureau

- Retail sales jumped 5.3% in January, the fastest growth rate since June and well ahead of consensus forecasts of 1.1%. This is welcome news following a somewhat disappointing holiday spending season, as consumers showed a willingness to satisfy some pent-up demand across a wide range of categories.
- The big move was likely helped by the $600 stimulus checks received by millions of consumers. With activity expected to pick up as the recovery takes hold later this year, there are growing concerns about the medium-term impact on inflation.

Interest Costs Fall as Federal Debt Rises



Source: Wall Street Journal

- The fiscal response to Covid-19 has pushed U.S. Federal debt levels to post WWII highs, and the CBO projects that the debt burden will grow from 100% of GDP at the end of 2020 to 107% by 2031.
- Although this has stoked concerns about an unsustainable trend, over the past 20 years the interest expense of servicing U.S. debt has actually declined thanks to falling rates. Many economists believe the U.S. can afford to borrow more so long as net interest payments, which currently stand at 1.6% of GDP, remain below the 2.0% threshold.

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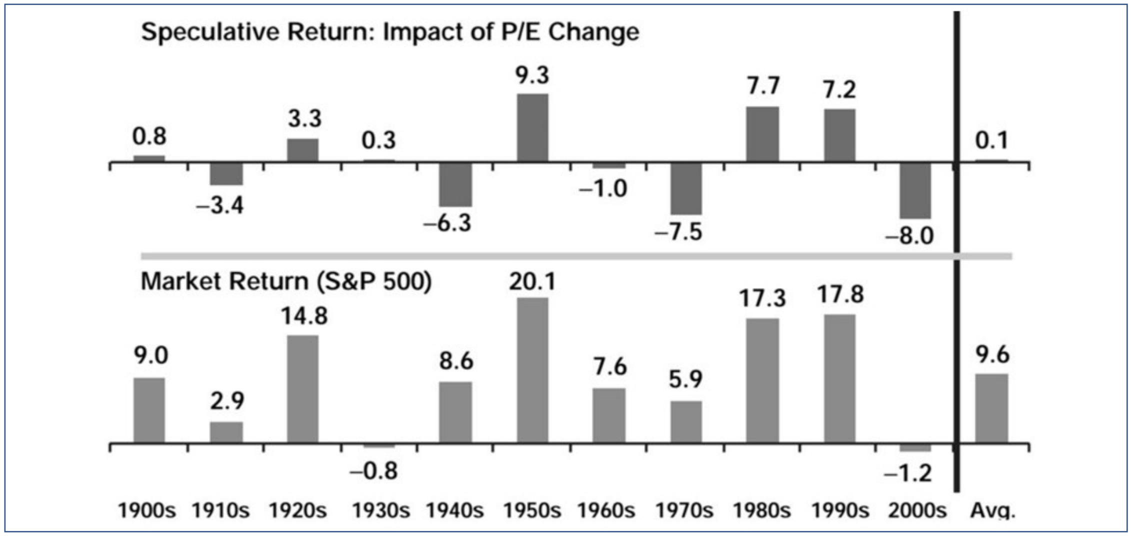
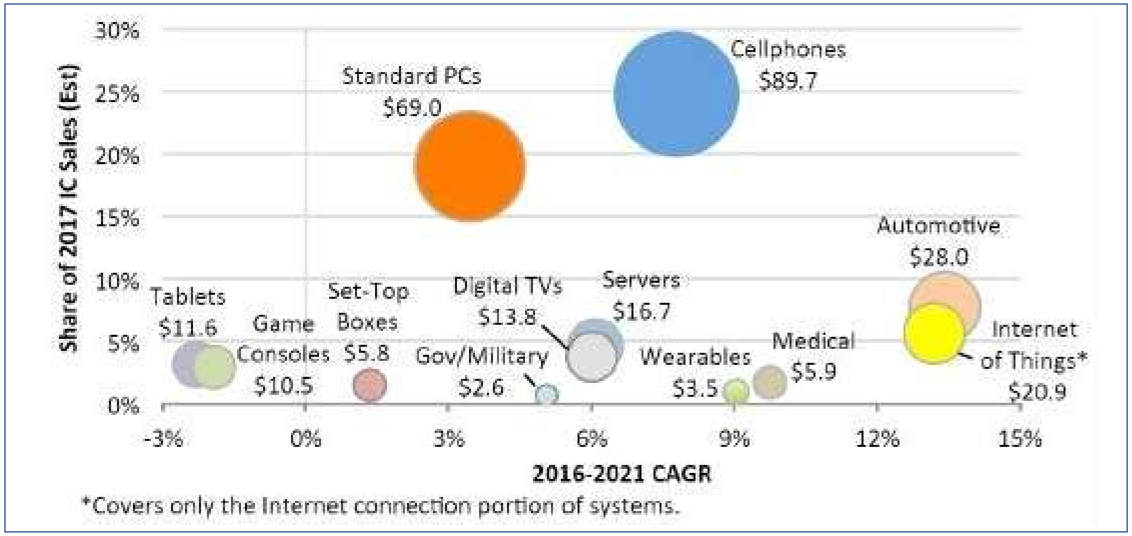
Expectations Can Drive Short-Term Results



Source: The Little Book of Common Sense Investing

- Although long-term trends in stock prices and underlying corporate profits are highly correlated, temporary dislocations between the two can occur. Indeed, a company's stock tends to be more volatile than its business prospects because of fluctuations in investor psychology.
- As the price/earnings ratio expands (an indication of improving sentiment), stocks usually generate strong returns. However, if this ratio contracts, stock returns tend to be more muted. Since investors are not always rational, it is important to have a strong sense of a company's long-run worth and not be whipsawed by daily stock movements.

Ahoy! A Hunger for Chips



Source: IC Insights

- The semiconductor industry is facing a chip shortage fueled by unanticipated levels of demand. Due to the capacity constraints throughout the global supply chain and rising manufacturing costs, ramping up production isn't as easy as flipping a switch.
- As the industry has gradually matured and consolidated around a handful of mega-scale contract manufacturers, access to manufacturing capacity is increasingly factoring into national security concerns. With demand steadily growing across a wide range of end markets, chip shortages have a knock-on effect on many industries (e.g. autos).

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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