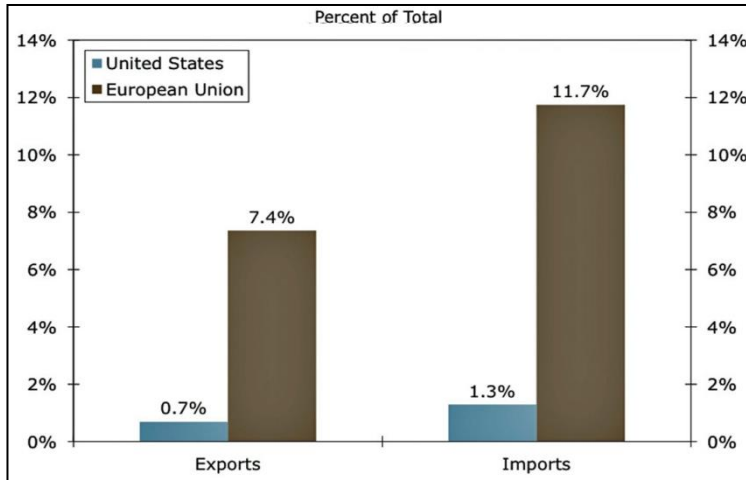


# Market Recap

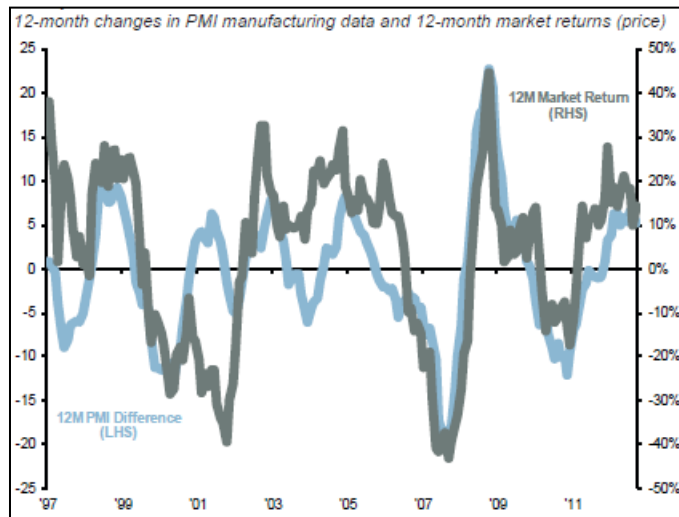
## U.S. and E.U. Trade Ties with Russia



Source: International Monetary Fund; Wells Fargo

Financial markets have been riled by the ongoing tension between Russia and Ukraine. While troubling to the U.S., these developments will have a more significant economic impact on the nations of the European Union. While U.S. trade ties with Russia are important, the overall exposure is a small component of the economy. U.S. exports to Russia total approximately \$11 billion, representing less than 1% of overall American exports, while Russian imports to America comprise 1.3% of U.S. imports (~\$30 billion). In Europe, the trade exposure is much more extensive. E.U. exports to Russia total \$150 billion, accounting for 7.4% of those nations' total exports. Conversely, the European Union receives nearly 12% (~\$250 billion) of its imports from Russia. Much of Russia's exports consists of energy products. Although the nations of the European Union receive petroleum products from many countries, Russia is the single largest source of petroleum products for the region.

## European Manufacturing Growth and Market Returns

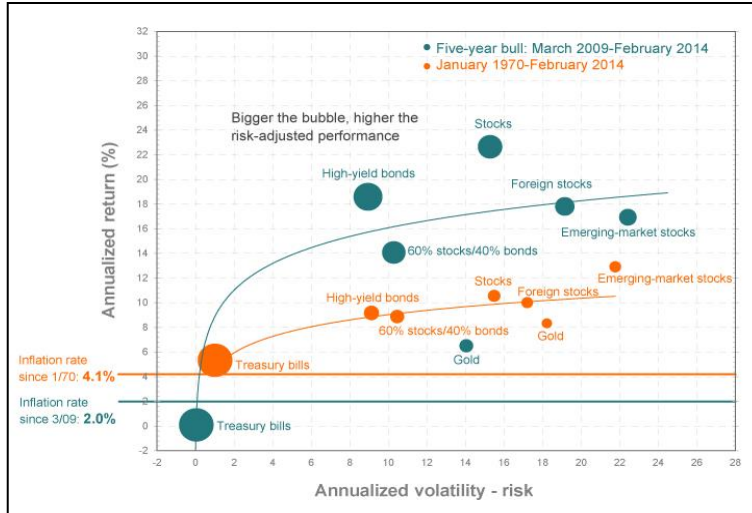


Source: Markit, MSCI, J.P. Morgan

Notwithstanding a global economic backdrop that includes a weather-related slowdown in the U.S., currency devaluations and other structural weaknesses in several major emerging markets, and ongoing tensions between Russia and Ukraine, the European economy continues to churn higher. After several quarters of decline, the region posted growth of 1.1% in the fourth quarter of 2013. Recent manufacturing data points to continued expansion this year. Further progress could bode well for investors as markets tend to react positively to economic accelerations. While lagging the U.S. recovery, analysts see parallels in Europe, noting that European stocks remain undervalued relative to U.S. counterparts. Over the last twelve months, the MSCI Europe index has risen 19.79%, virtually even with the S&P hike of 22.6%.

# Market Recap

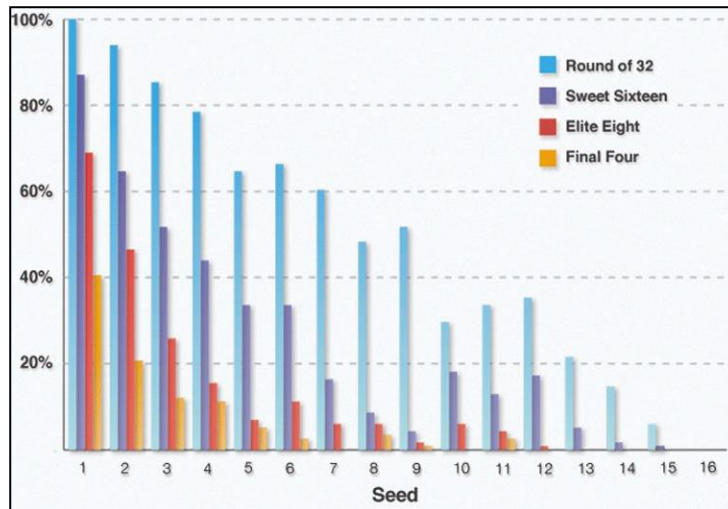
## Risk-Adjusted Returns – Past 5 years versus Past 44 Years



Source: Fidelity

Over the past five years, the S&P 500 rose from a low of 666 to over 1,850 today (an annual return of over 23%). Likewise, commodity prices have increased by a comparable level during this bull market run. Thanks to four years of Quantitative Easing, the Federal Reserve System Open Market Account (SOMA) also has grown from \$584 billion to around \$4 trillion. While the Fed's balance sheet, the stock market, and commodities are substantially higher, interest rates are essentially flat versus where they were five years ago. Three-month Treasury bills are yielding 0.05% versus 0.19% then, and the 10-year Treasury bill is little-changed at ~ 2.80%. Accordingly, "risk" as measured by annual standard deviation levels is about the same, however, the returns since March 2009 are vastly higher, resulting in much higher risk-adjusted returns. In fact, the past five years represent one of the highest ever risk-adjusted return periods for stocks.

## NCAA Tournament - How Often Seeds Advance to Each Round



Source: CBS Sports

Statistically, the odds of picking a perfect March Madness bracket are one in 9.2 quintillion. However, an analysis of results since 1985 when the field expanded to 64 teams divulges some patterns. No #16 seed has ever advanced out of the first round. Nearly 90% of #1 seeds reach the Sweet 16 with more than 40% making it to the Final Four. More often than not, #9 seeds prevail over #8 seeds. And seeds #10 through #12 tend to reach the Sweet 16 more often than do #8 and #9 seeds. In fact, #12 seeds have reached the Sweet 16 twice as often as have #8 seeds. Why? If a #12 seed is lucky enough to win round one, it avoids facing a #1 seed, as a #8 or #9 seed would have to. Nonetheless, teams seeded in the top three spots in each quadrant have won approximately 90% of the time. The only other winners: fourth-seeded Arizona in 1997, sixth-seeded Kansas in 1988, and eighth-seeded Villanova in 1985.

**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](http://www.harbourcapitaladvisors.com).

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