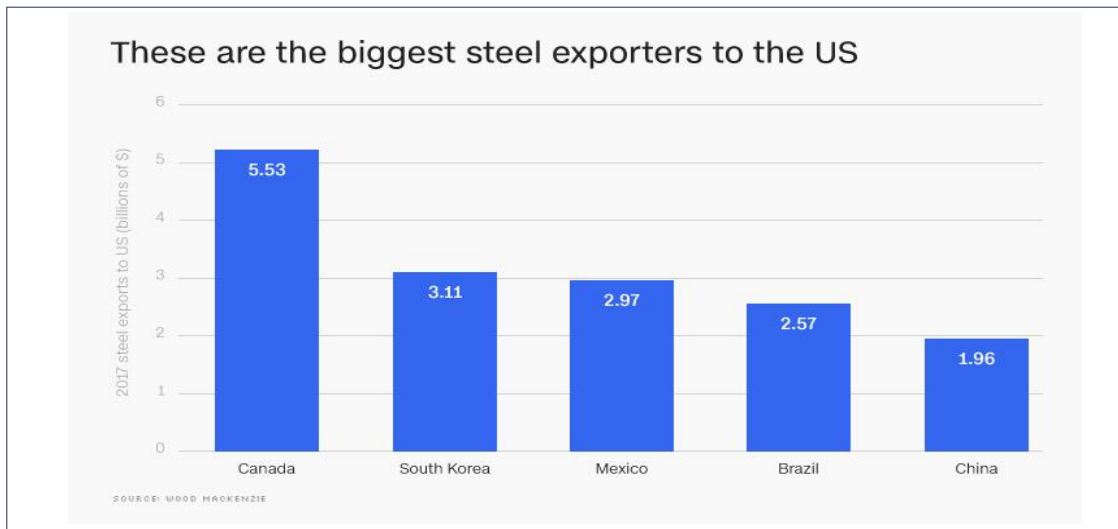


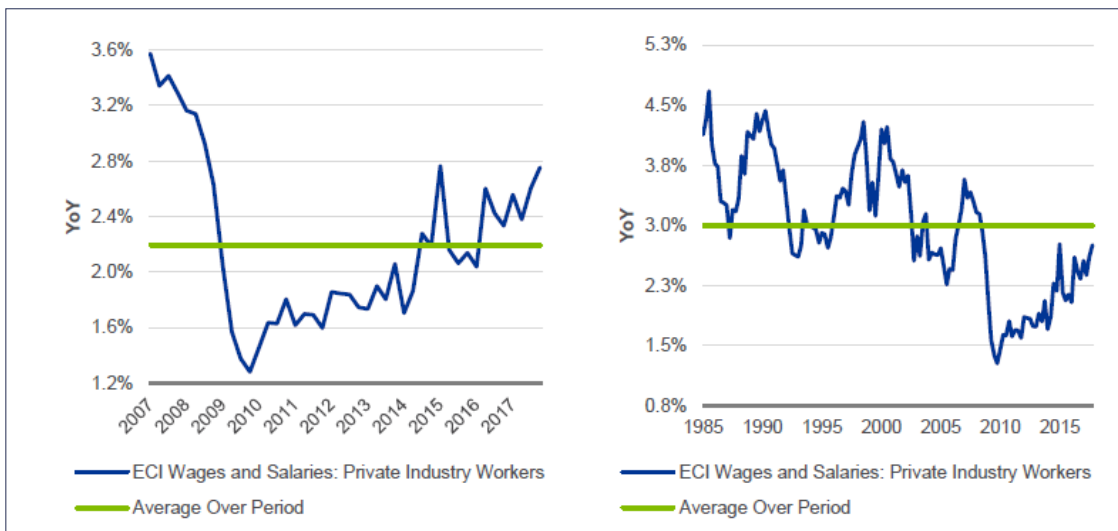
Market Recap

Steel and Aluminum Tariffs Rattle Markets



Source: CNN Money

Short and Long-term Trends in Wage Growth



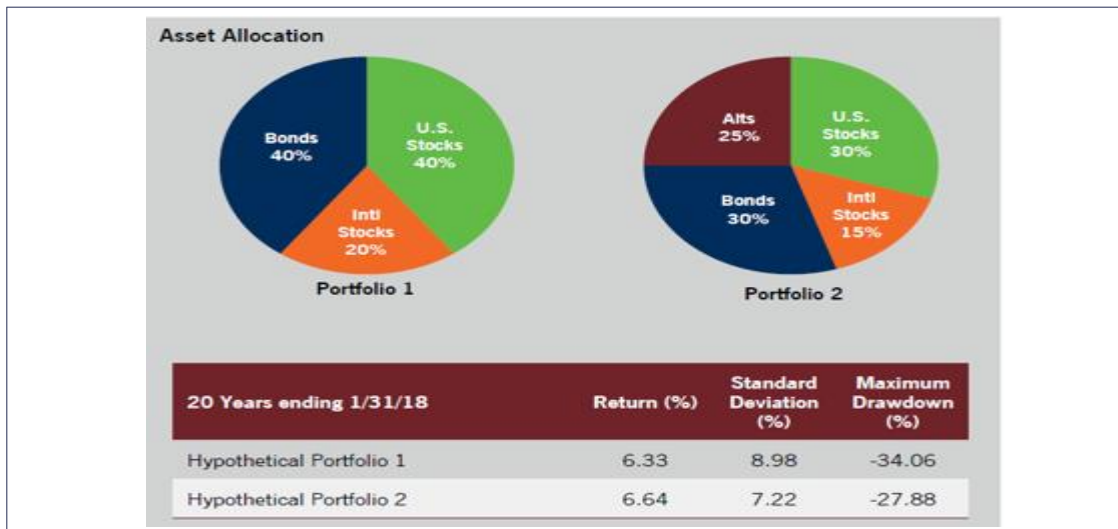
Source: BlackRock

The Trump administration announced new steel and aluminum tariffs last week, a move aimed at protecting domestic steel and aluminum markets, but one that may backfire and have negative implications for global growth. The 25% and 10% tariffs on steel and aluminum, respectively, are a response to rising global capacity in metals markets and growing import levels from geographies with relatively lower costs of production (e.g., China). While the tariffs will exempt two of the three largest exporters to the U.S., the move is expected to put upward pressure on the price of imported steel and thereby make higher cost U.S. producers more competitive. However, the tariffs will likely raise input costs for U.S. manufacturers, potentially reducing their profitability. Further fears exist that the move may prompt retaliatory measures from affected trading partners, which would have a dampening effect on global trade and global growth, while putting additional upward pressure on inflation.

As is normal during the latter stages of an economic expansion, a gradual tightening of labor markets has driven an acceleration in wage growth over the past two years, reflecting a tipping point in the balance between labor supply and labor demand. When wage gains begin to rise faster than consumer prices, individuals enjoy real income gains which typically results in increased consumption and savings, driving further economic growth. However, although higher wages provide a tailwind to consumer spending, they also translate into increases in the inflation rate as higher production costs (i.e., higher wages) are passed on to consumers via higher prices. While some investors may be concerned that recent wage growth is a sign of mounting inflationary pressure, longer-term trends suggest that wages have further room to run before they become problematic for the economy.

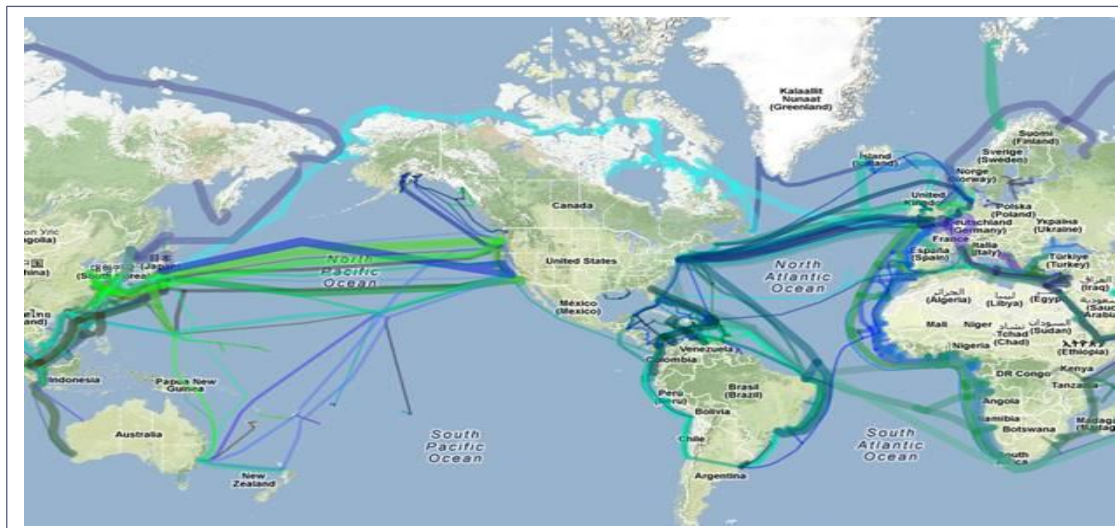
Market Recap

Allocation to Alternatives Can Enhance Portfolio Diversification



Source: Eaton Vance

Submarine Cable Networks



Source: Greg Cable Map

Alternative investments are a group of different asset classes and investment strategies that differ from traditional stocks and bonds. Examples include Hedge Funds, Private Equity, Private Debt, Commercial Real Estate (equity and debt), and Commodities. Access to some of these investment strategies are often restricted to accredited investors who demonstrate an annual income exceeding \$200,000 or a net worth greater than \$1 Million. Alternative investments are not intended to replace an entire stock and bond portfolio, but rather to add to portfolio diversification, as they do not move in lock step with traditional stocks and bonds. This enhanced portfolio diversification limits drawdowns in a declining market and reduces the overall volatility of a portfolio. Illustrating this point, a theoretical portfolio including a 25% allocation to alternatives has outperformed a portfolio of stocks and bonds over the past 20 years, while registering significantly lower annualized volatility and smaller maximum drawdowns.

While many people think that overseas communications are primarily done via satellite technology, in reality it is a system of subsea cables (which are faster and more reliable than satellites) that do the heavy lifting in long-haul communications networks that connect the 'World Wide Web'. Indeed, the first intercontinental copper telegraph cables were laid more than 150 years ago, and today fiber-optic cables are used to transmit vast quantities of information between data centers on either side of the ocean. Ironic though it may seem, this critical part of the modern "cloud" happens to be buried under the seabed!

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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