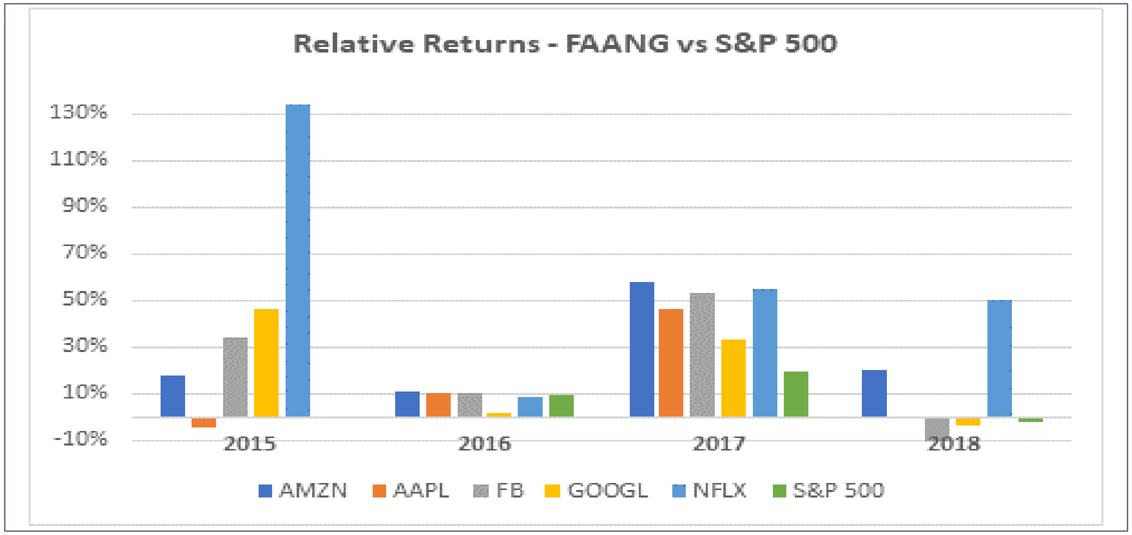
Market Recap

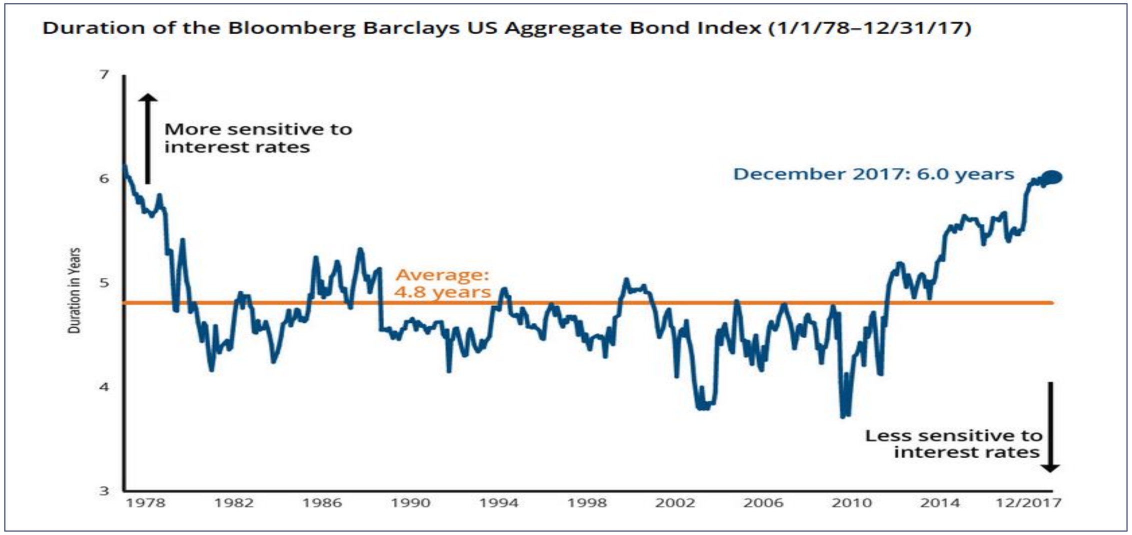
Retesting Market Leadership



Source: FactSet

One of the defining features of the recent uptick in market volatility has been the pullback in the Technology sector, an area that has set the pace for benchmark returns over the past few years. While some of the pressures driving Big Tech shares lower are new developments (e.g., increased regulatory scrutiny for Facebook, and a tweet-storm aimed at Amazon), on a broader level this reversion to the mean is a natural feature of the markets – without such gut-check moments, already crowded trades become prone to excess (and the corresponding downward reversal). Recent volatility aside, Technology companies are still expected to achieve solid profit growth in 2018. However, it remains to be seen whether increased regulatory oversight will curb Big Tech's ability to sustain healthy profit margins over longer time horizons.

Rising Interest Rates Contain Hidden Risks for Bond Benchmarks



Source: JPMorgan

The Barclays U.S. Aggregate Bond Index ("Agg") is one of the most widely tracked fixed income benchmarks. It represents a broad basket of investment grade bonds, including: U.S. government bonds, corporate bonds, and mortgage-backed bonds. As the Federal Reserve has started to normalize interest rates, the yield on the Agg has moved higher, albeit from historically low levels. However, this gradual rise in yields has been accompanied by a sharper in rise the Agg's duration (i.e., its sensitivity to changes in interest rates). The Agg's increased sensitivity to changes in interest rates is a byproduct of recent bond market trends, as issuers (i.e., corporations, governments, homeowners) have elected to borrow more and borrow at a longer maturity. This has led to a larger share of longer maturity bonds, thereby increasing the duration and the risk profile of the Agg.

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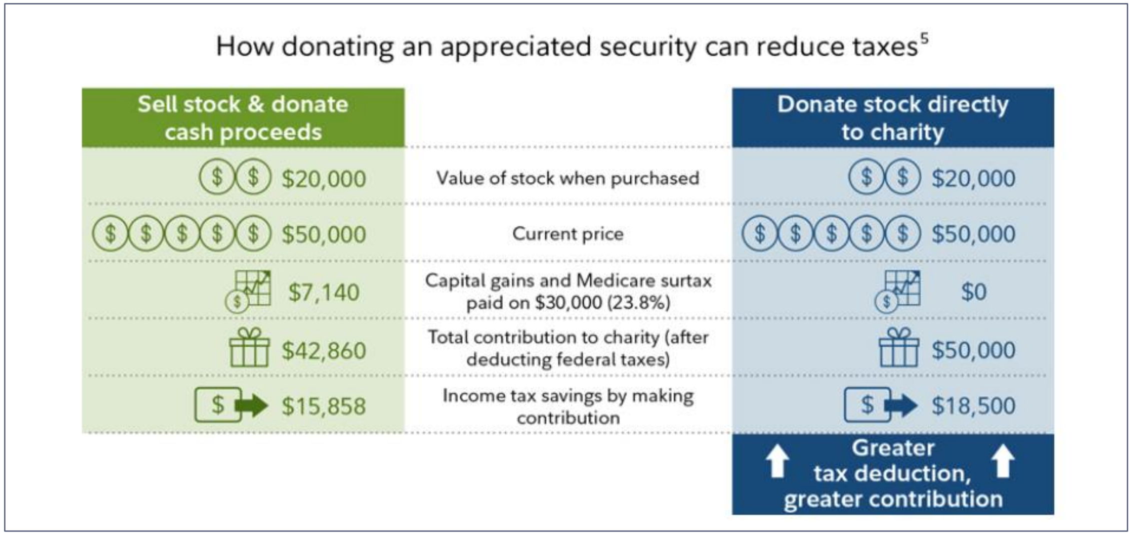
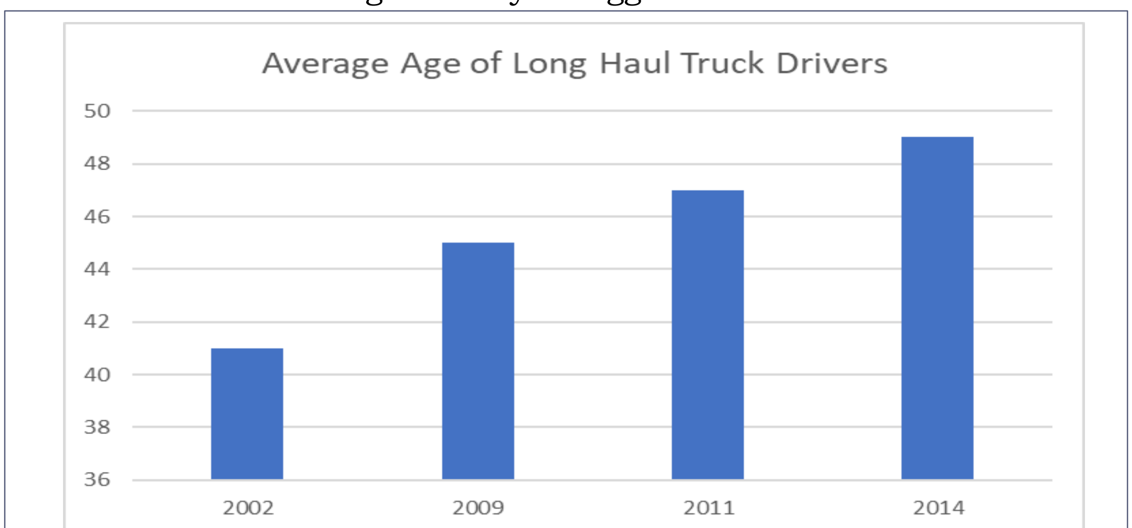
Donating Appreciated Securities



Source: Fidelity

Trucking Industry Struggles to Fill Jobs



Source: American Trucking Association

Absent regular re-balancing, some stock positions within an overall portfolio may appreciate at a greater rate than other positions. This can lead to imbalanced portfolios characterized by concentrated positions (e.g.., Apple at 10% of total portfolio). At this juncture, selling the security for portfolio management reasons can lead to a significant tax liability. An alternative method to reduce this concentration is to engage in an in-kind charitable donation. Individual investors can select specific securities (i.e., number of shares, cost basis, market value, etc.) and donate those shares to a specific charity (or charities). This enables an investor to reduce their portfolio concentrations, increase their tax efficiency, and maximize the dollar value of their donation to a charity (or charities) of their choosing. For example, if the market value of a security is $50,000 and its cost basis is $20,000, the investor avoids a $7,140 tax liability, donates the full $50,000 to a charity of his/her choice, and increases their tax efficiency by an additional $2,642.

American trucking companies are keen to hire more drivers as the economy continues to grow and freight volumes increase. However, many trucking companies are having a hard time finding employees. With unemployment at historically low levels, many potential truck drivers are opting to pursue other careers in construction, energy and manufacturing, seeking better pay and working conditions. These factors, along with the creeping threat of automation, have made truck driving an increasingly unattractive profession for younger workers. To wit, we have seen the average age among truck drivers trend higher over the past 5 years. As a result, this had led to a labor shortage, which has forced trucking companies to boost wages to retain talent. This has resulted in higher input costs and lower profitability for some retailers and manufactures.

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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