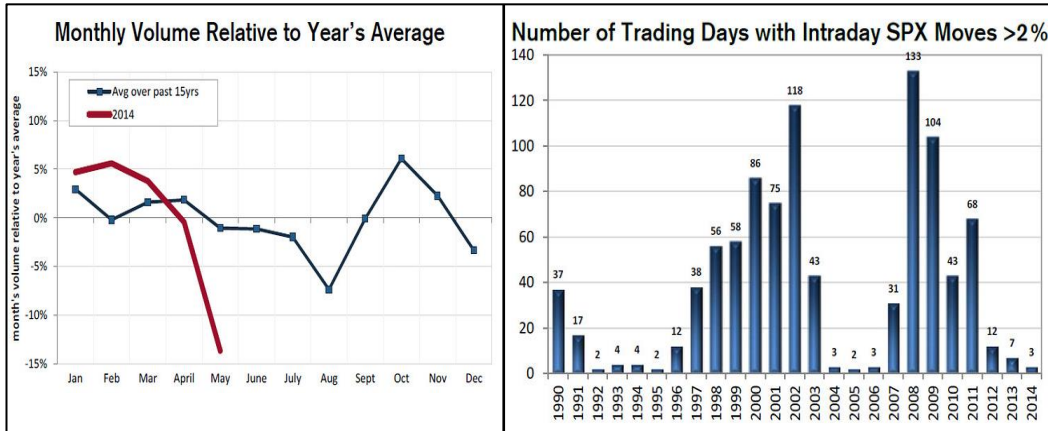


Market Recap

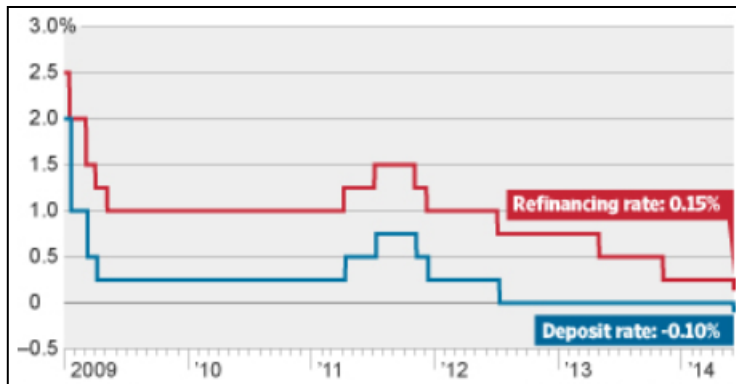
Decline in Volume and Volatility



Source: Credit Suisse

An unusual level of complacency has taken hold of financial markets as bond prices have strengthened and stocks have rallied to record highs. Measures of investor sentiment remain strikingly low leading to a sharp decline in market volatility and trade volume. The VIX, which tracks market volatility, recently traded at 11.86. For 74 consecutive weeks it has fallen below its long-term average of 20, the longest such stretch since 2006. Further, trading volume in U.S. stocks has been declining and was particularly low in May. Approximately 5.7 billion shares traded across U.S. stock exchanges on an average daily basis, a drop of more than one billion shares since April. The current calm has some officials at the Federal Reserve wondering whether the lack of worry within the financial markets, in turn, should be something to worry about.

European Central Bank Short-Term Interest

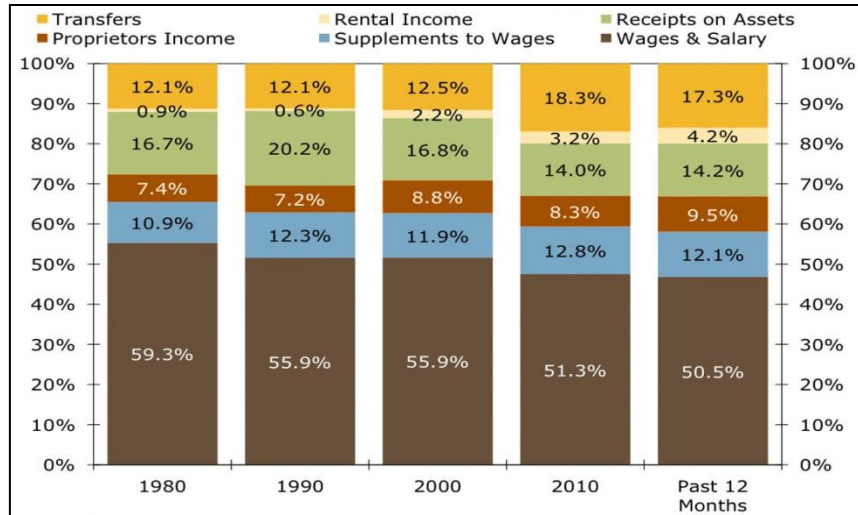


Source: ECB

The European Central Bank announced a series of measures to boost the euro zone economy and fight low inflation by cutting rates, imposing negative interest rates on its overnight depositors, and offering banks new long-term funds. The ECB reduced all of its main rates to record lows in an effort to fight off the threat of deflation and bring down the euro's exchange rate. For the first time, it will charge banks 0.10% for overnight deposits at the central bank. It stopped short of asset purchases (known in the U.S. as quantitative easing), but ECB President Mario Draghi said more action would come if necessary. In total, the stimulus will infuse 400 billion euro (\$544.86 billion) over a 4-year period, giving banks that have been holding back credit due to looming stress tests an incentive to increase lending in the euro zone. Financial markets saluted the ECB measures, even though most of them had been widely anticipated for weeks.

Market Recap

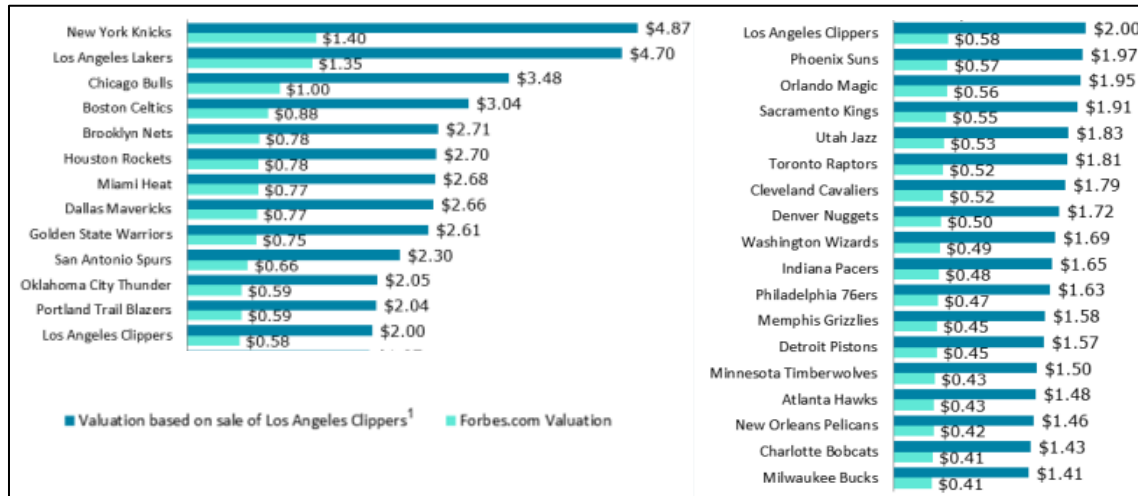
Personal Income Sources



Source: Wells Fargo

Since 1980, income derived from wages and salary has gradually become a smaller component of overall personal income, while “transfers” (payments from government programs and retirement savings) and self-employed income have increased. As the landscape for traditional corporate jobs continues to be challenging, workers are relying on social programs, retiring sooner, or becoming entrepreneurs. Wages and salary have fallen from 59% of total income in 1980 to less than 51% today. With the aging of baby boomers and longer life expectancies, a greater share of the population is drawing Social Security and Medicare and cashing in retirement savings (all forms of transfers). Transfers are also higher today because of increased eligibility and use of social programs, including disability insurance and food stamps. Since 2000, both rental and proprietors income have grown, as more households generate income through entrepreneurial endeavors.

NBA Franchise Values



Source: Forbes

The recent sale of the Los Angeles Clippers from Donald Sterling to Steve Ballmer for \$2 billion is catching many by surprise. The shock is not due to the actual sale, as many people are well-aware of the events that led to the transaction, but rather to the enormous price that is being paid for the franchise. Based on Forbes annual assessment of sports franchises, the New York Knicks are considered to be the most valuable team in the NBA at \$1.4 billion. Meanwhile, the Clippers are listed as the 13th most valuable basketball franchise at \$575 million, making the purchase price 3.5x that valuation. Based on the Clippers transaction, the Knicks would be worth \$4.8 billion. The overriding implication is that NBA teams, in general, are worth a lot more than most thought.

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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