

Market Recap

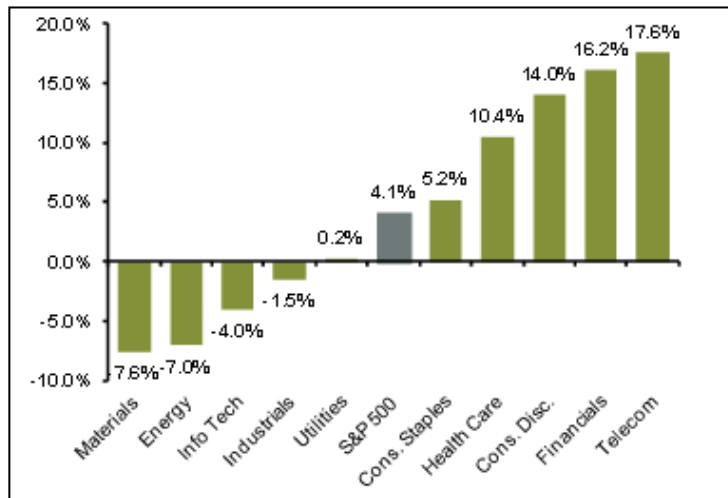
Largest U.S. Municipal Bankruptcy Filings



Source: Governing.com

On Thursday, Detroit filed the largest municipal bankruptcy in U.S. history. The chapter 9 filing sets the stage for a costly court battle with creditors and opens a new chapter in the long struggle to revive the city that was once the center of the American auto industry. If approved by a Federal judge, the bankruptcy would force Detroit's estimated 100 thousand creditors to renegotiate \$18.5 billion in debt. The population of the city, which peaked at 1.8 million in the 1950s, has fallen steadily, with just 700,000 residents remaining. The ranks of retirees outnumber the city's active workers by more than a 2-1 ratio. With a quarter of its buildings abandoned in some neighborhoods, no other American city has borne the brunt of deindustrialization so heavily. While other major cities (among them, New York, Philadelphia, and Cleveland) have explored the possibility of bankruptcy in the past, Detroit is the first of its size to take this drastic step.

Second Quarter S&P 500 Sector Earnings Growth Expectations



Source: Standard & Poor's, FactSet, J.P. Morgan Asset Management

The second quarter earnings season has begun, with one-fifth of the companies within the S&P 500 having reported results. Analysts' consensus estimates expect S&P 500 earnings per share to increase 4.1% year-over-year, representing record aggregate earnings for the second consecutive quarter. Early projections indicate that the majority of the growth is expected to come from margin expansion, with revenues increasing only 1.4%. Strength is projected to be greatest in the cyclical sectors, specifically Telecommunications, Financials, and Consumer Discretionary. This demonstrates continued economic improvement through household formation and consumer spending. These catalysts, combined with a consumption-heavy economy, may provide the potential for positive earnings surprises in the weeks ahead.

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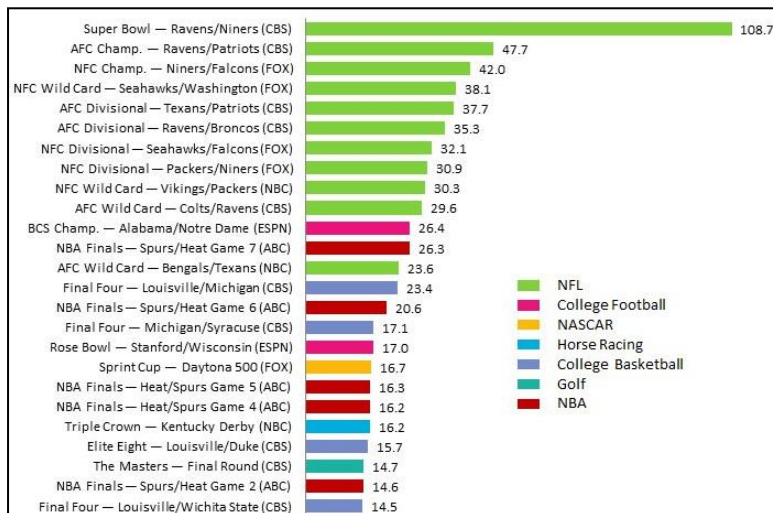
Dividend-paying Stocks Under Various Stress Scenarios

Hypothetical Performance of Various Asset Classes						
Stock Market +30%	Stock Market -30%	Interest Rates +2%	Interest Rates -2%	Inflation +1%	Volatility +20%	Oil +50%
US Stocks 31.96	US Bonds 4.08	Int'l Stocks 8.12	Global Bonds 7.83	Int'l Stocks 19.75	US Bonds 2.76	Int'l Stocks 8.88
Global Stocks 30.18	Global Bonds 0.69	Global Stocks 6.45	US Bonds 7.57	Global Stocks 15.65	Global Bonds 1.97	Global Stocks 8.53
Int'l Stocks 29.80	Cash 0.04	US Stocks 5.79	Cash 0.04	US Stocks 12.14	Cash 0.04	US Stocks 8.01
US Div Stocks 25.27	US Div Stocks -25.27	US Div Stocks 3.43	US Div Stocks -3.43	US Div Stocks 7.36	US Div Stocks -9.8	US Div Stocks 5.65
Global Bonds 3.99	Int'l Stocks -29.80	Cash 0.04	US Stocks -5.79	Global Bonds 1.23	Int'l Stocks -10.26	Global Bonds 4.04
US Bonds 0.38	Global Stocks -30.18	Global Bonds -3.97	Global Stocks -6.45	Cash 0.04	Global Stocks -11.02	US Bonds 1.65
Cash 0.04	US Stocks -31.96	US Bonds -5.26	Int'l Stocks -8.12	US Bonds -2.81	US Stocks -12.42	Cash 0.04

Source: Blackrock

Investors focused on daily market volatility can often lose sight of the longer-term trade-off between risk and reward associated with a portfolio. Dividend-paying equities may lag the broader market for short time periods, but they have a tendency to do well over the long term as the market acknowledges companies' underlying fundamentals. Companies able to pay, sustain, or grow their dividends over time tend to be healthier than those that cannot. These companies can rely more on the strength of their balance sheets and cash reserves, which provide a buffer against slowing sales or declining profit margins in a challenging environment. Their stock prices also tend to have greater more support when the markets are under pressure. Further, as evidenced by a market study led by Société Générale, dividend growth was the single-largest contributor to nominal returns across key developed markets over the past 40 years, providing more return than changes in stock price.

Most Watched Sporting Events of 2013 (Television Viewers in Millions)



Source: Sports Media Watch

While the second half of the year offers a multitude of important sporting events for our viewing pleasure, a study of event television viewership through June offers an imbalanced snapshot of Americans' interests. The National Football League dominates the list, capturing the top ten events, and 11 overall. Despite a rare decline in year-over-year viewership, the Super Bowl tops the charts with 108.7 million viewers. Professional and college basketball offer some diversity, representing nine of the 25 events noted. While only one auto race is on the list, it is reported that NASCAR is the fastest-growing segment in popular televised sports. Notably, professional ice hockey does not appear in the top 25 events for 2013, perhaps a function of the shortened season. Looking ahead to the rest of the year, baseball and tennis fans had best plan to carve out some TV time if they hope to boost their favorite sport onto this list of popular events.

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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