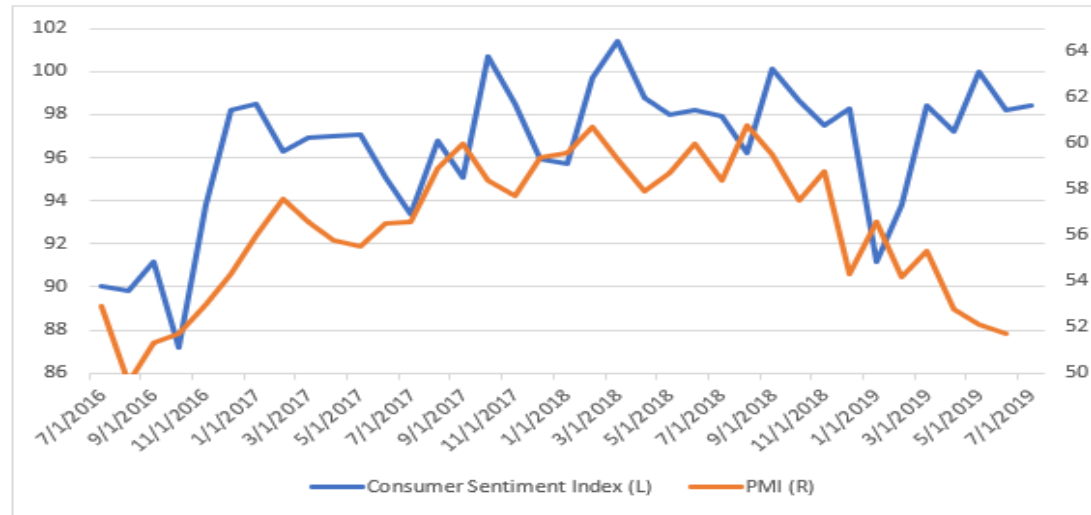


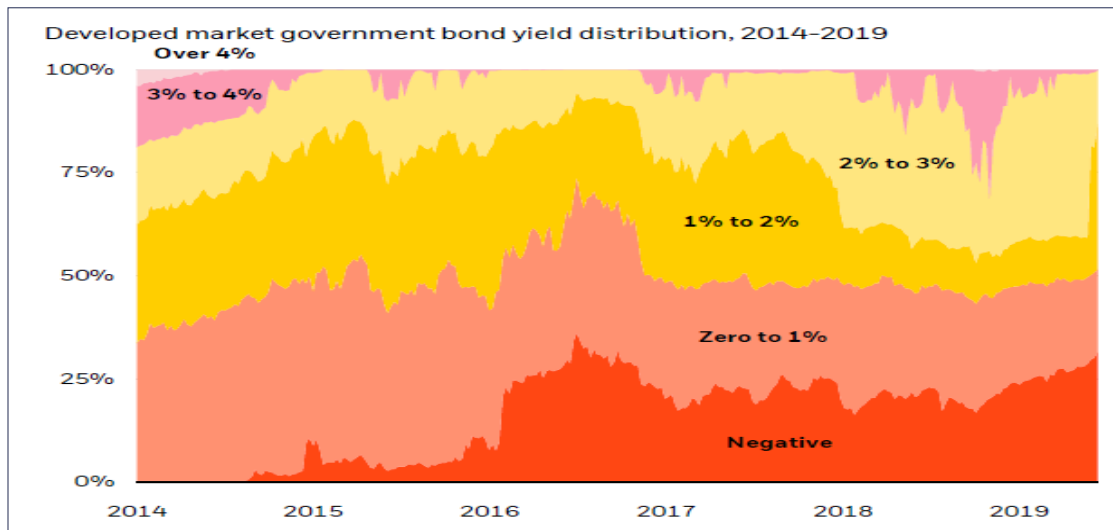
# Market Recap

## The Tale of Two Stories



Source: Bloomberg, Harbour Capital Advisors

## Negative Bond Yields Persist



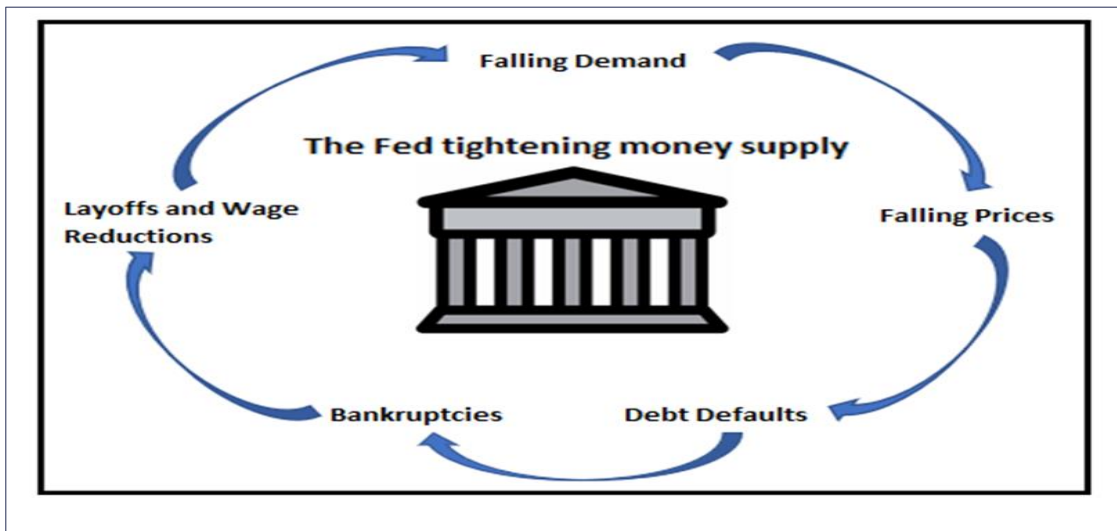
Source: Blackrock

Two prominent survey-based market indices, the Consumer Sentiment Index and the Purchasing Managers' Index (PMI), have diverged for much of 2019, a longer-than-usual period of deviation. Consumers continue to be optimistic about the U.S. economy, with consumer spending—a key component of U.S. GDP (roughly 70%)—driving solid growth for the first half of the year. Contrastingly, businesses are becoming more cautious, with concerns about lingering global trade issues. Trade conflicts are not only disrupting supply chains, but causing businesses to reevaluate future capital expenditures, and in some cases, cut business spending. History suggests that the two indices will revert at some point, however, it remains to be seen whether that results from businesses becoming more optimistic, or consumers losing confidence in the economy.

One of the more unexpected byproducts of the Global Financial Crisis has been the rise of negative-yielding debt. The notion that there is a competitive market for an investment that equates to lending a dollar today in hopes of receiving 95 cents tomorrow is anathema to economic logic. While this phenomenon was initially driven by central banks' desire to spur incremental risk-taking amidst an unusually low-growth environment, its persistence is a reminder of the structural limits behind monetary policy. The graying of most developed country populations has only exacerbated this challenge, making the economy more dependent than ever on improving productivity to drive sustainable growth.

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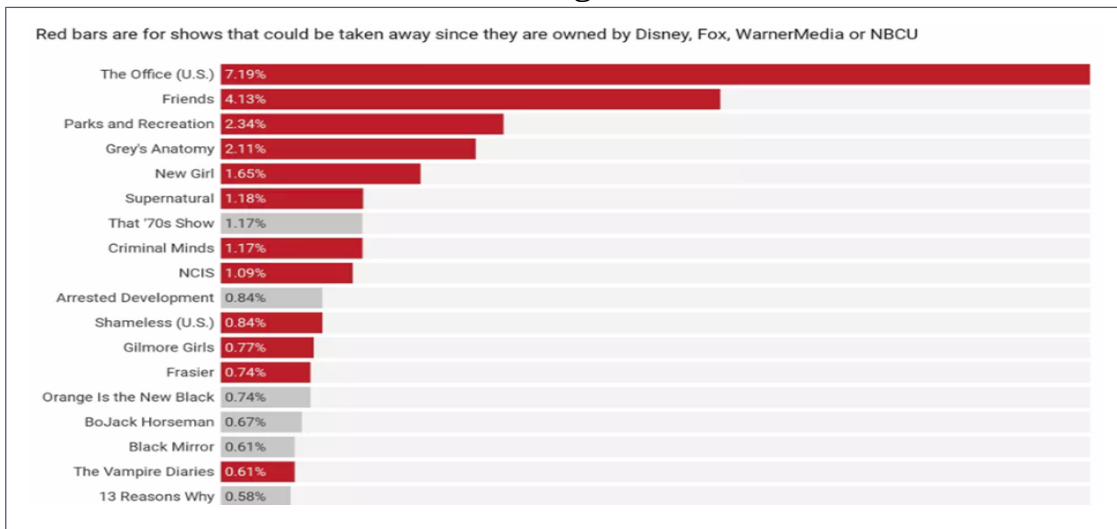
## Implications of Deflation



Source: Harbour Capital Advisors

Deflation – potentially triggered by central banks decreasing money supply - may lead to a difficult, and perhaps dangerous, cycle for businesses and consumers. When money supply shrinks, the purchasing power of a dollar increases, allowing this future dollar to buy more goods than it previously could. This encourages consumers to delay purchases of goods until prices are adjusted for deflation. With aggregate demand falling and the price of goods decreasing, company sales and profits are negatively impacted. Companies may be forced to decrease wages and/or let employees go. This deflationary scenario highlights the critical role of the Federal Reserve in its efforts to maintain balanced money supply.

## Streaming Wars



Source: Jumpshot

As households continue to cut cable cords and replace them with streaming platforms such as Netflix, more media firms are rolling out original streaming services in pursuit of a slice of the pie. Because many of Netflix's most viewed shows aren't originals, they are at stake of losing the rights to these shows. Early next year, Netflix will be forced to drop its most viewed show, "The Office", when NBCU moves the series to its own platform. Disney has already pulled much of its content from Netflix, with hopes of bringing consumers over to its streaming service, Disney Plus, which launches November 12. The good news is that consumers will have an even greater choice of providers through which to watch countless hours of entertaining content.

**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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