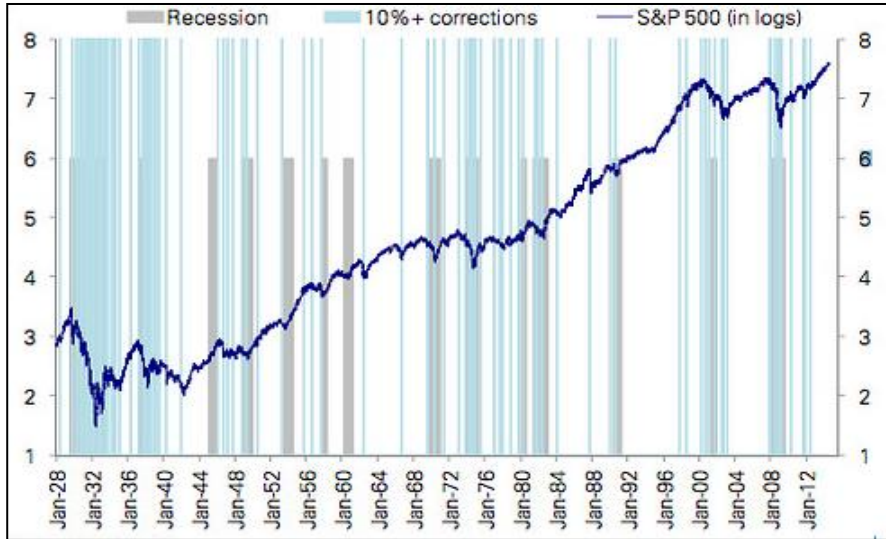


Market Recap

Historical S&P 500 Corrections



Source: Deutsche Bank

Relative Performance of S&P 500 and Russell 2000



Source: FactSet; WSJ

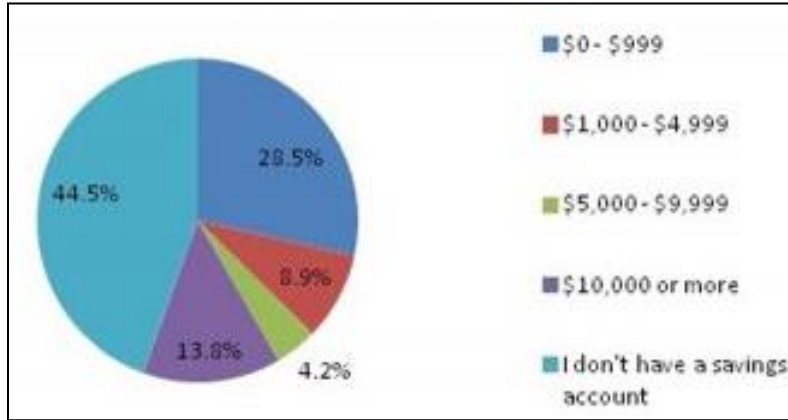
Widely contrasting views of the market's sustainability are dominating today's headlines:

Perspective I: It has been over two years since the S&P 500 last suffered a 10% correction, leading many to believe that the market is overdue. Deutsche Bank chief strategist Binky Chadha recently noted that, since the end of the last correction (June 2012), the S&P 500 has gained 55% in the run to its latest peak. While seemingly impressive, this performance is fairly typical outside of long recessions and crises. In fact, on a historical basis, 10%-plus corrections tend to happen in clusters, with many occurring during the Great Depression in the 1930s, the 1970s bear market, and the 2000-03 technology bubble. Further, big corrections are unusual mid-cycle, which is where many strategists believe the economy to be today. Instead, three-fourths of 10%-plus corrections happen within one year on either side of recessions, and almost never occur when the unemployment rate is trending down.

Perspective II: Over the past 45 years, the stock market has lost more than 20% every time in which three warning signs occurred simultaneously. The signals are: i) excessive levels of bullish enthusiasm; ii) significant stock overvaluations (based on measures like P/E); and, iii) extreme divergences between asset categories. These indicators have signaled in unison six times since 1970, followed by an average drop in the S&P 500 of 38%. No bear market has occurred without these three signs at the same time. The first two of these market indicators have been present for several months. The third (category divergence) emerged just recently when the S&P 500, which hit its closing high on July 24, was ahead 1.4% for July, in contrast to the Russell 2000 which was 3.1% lower in July.

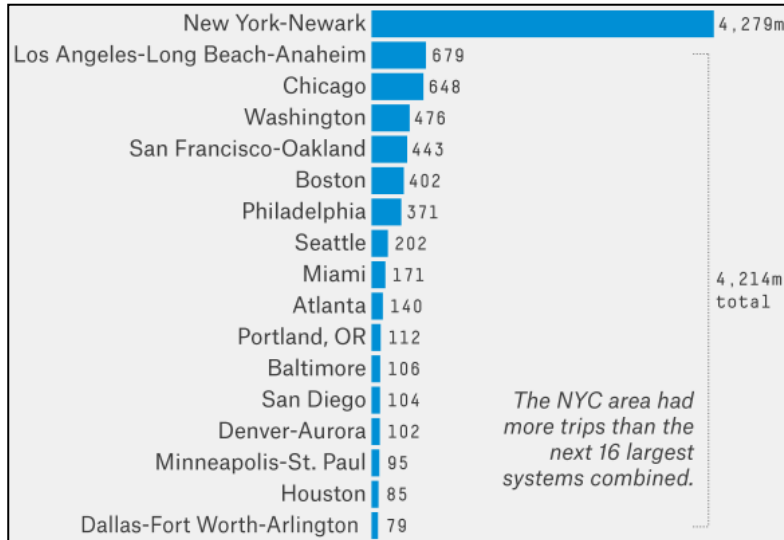
Market Recap

How Much Money is in Your Savings Account?



Source: GoBankingRates

Cities That Move with Public Transit



Source: National Transit Database

A recent poll from GOBankingRates reveals concerning statistics regarding current savings trends. When asked *How much money is in your savings account?*, 73% of the 3,000 respondents indicate that they have minimal (less than \$1,000) or no savings set aside. Only 13.8% of respondents have \$10,000 or more saved. More than 40% of respondents aged 18 to 24 and over 65 do not have a savings account. Less than a quarter of those in the lowest income bracket (\$0 to \$24,999) have savings accounts with \$1,000 or more. Savings decline between the ages of 45 and 64 (when many spend their money - either on necessities, like college education and housing, or on luxury, like travel) and are greatest for 35 to 44 year-olds. Not surprisingly, the more you make, the more you save. These statistics, coupled with the ever-growing costs of living (housing, healthcare, education, etc.), underscore the critical need for Americans - regardless of income levels - to embrace a culture of savings.

In order to receive transit system grants from the Federal Transit Administration to fund subway, light rail, and bus system expansion projects, cities must provide monthly ridership data to the National Transit Database. As the chart indicates, New York has more transit ridership than the next 16 highest-utilized systems combined, and is the only U.S. system to register on the international level. The largest urban centers of the 'Northeast Corridor' (New York, Washington, Boston and Philadelphia) each fall into the top 10 in trips per resident. While Washington has long been a major adopter of - and promoter of - mass transit to solve its growing traffic challenges, it falls far short of New York's per capita ridership. After many years of planning and construction, Washington Metro's Silver Line recently opened, which many hope will pump up the number of D.C.'s mass transit users.

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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