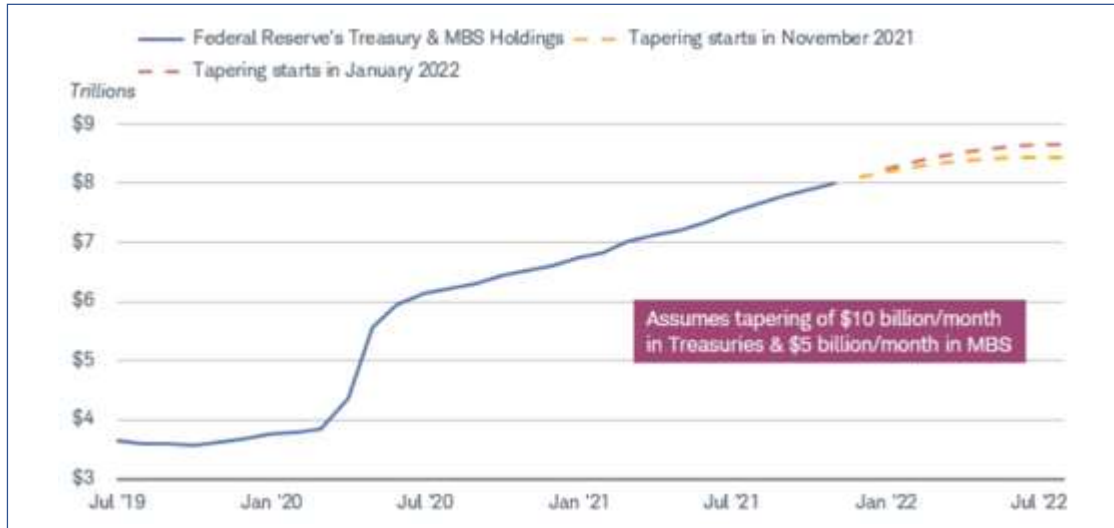


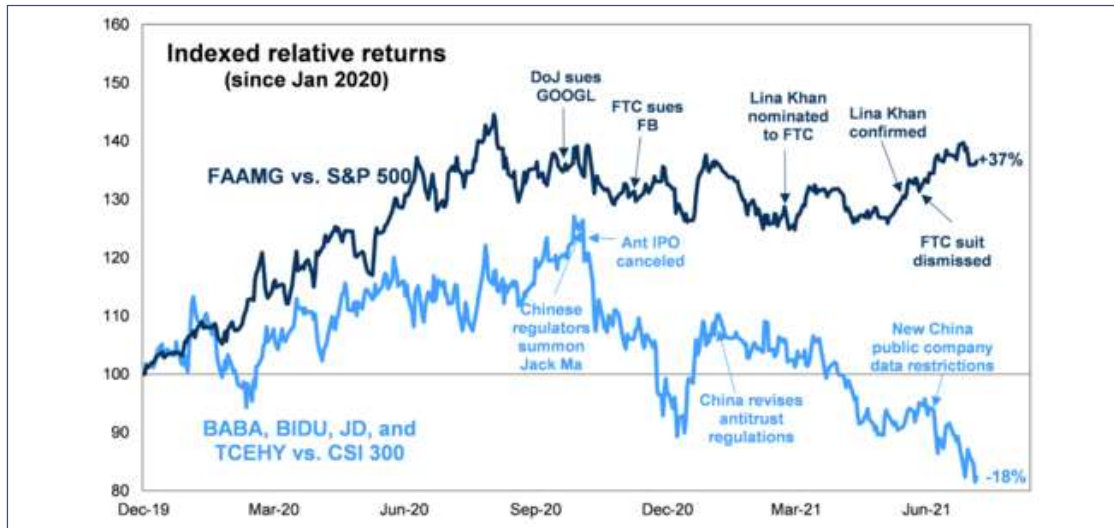
Taper Talk Heats Up



Source: Charles Schwab, Bloomberg

- Since the onset of the pandemic, the Fed has boosted its support of credit markets by purchasing bonds and mortgage-backed securities. This monetary tool used by the Fed, known as quantitative easing (QE), floods the markets with additional liquidity to buoy investor confidence during periods of market distress.
- Thanks to a strong economic recovery, Fed Chairman Powell has indicated that the central bank may begin to reduce (taper) its monthly purchase commitment before year-end. However, the committee also stressed the need for further employment progress and that tapering should not be construed as a signal that rate hikes will soon follow.

Beijing's Regulatory Crackdown

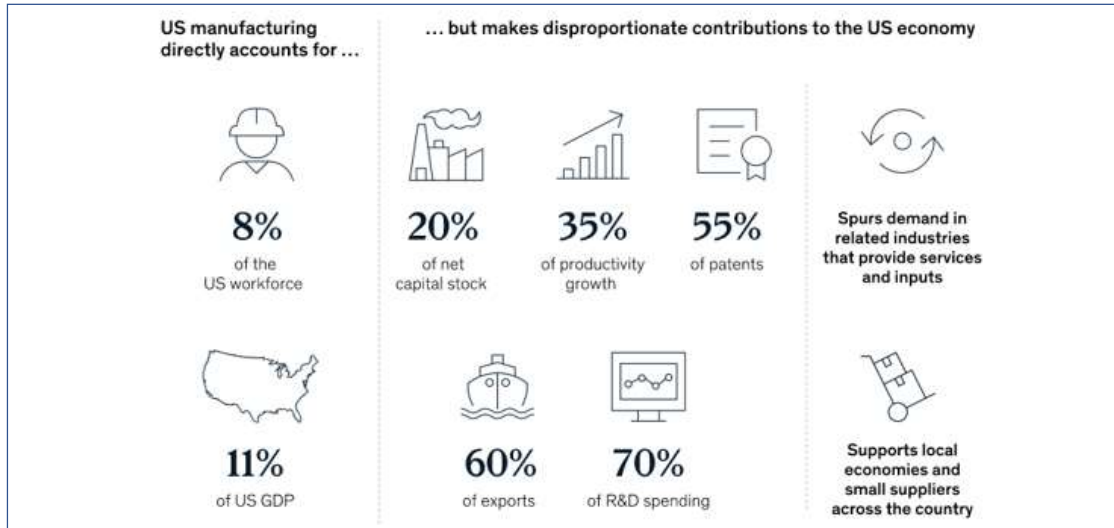


Source: Goldman Sachs

- The stocks of China's leading technology platforms have been under pressure in recent months thanks to new government reforms designed to curb the clout of these data-empowered behemoths. The current wave of reforms follows similar campaigns in 2018, 2015, and 2011.
- Chinese regulators have stressed that the goal of these measures is to promote social stability and healthy industry development. Yet if the government treads too heavily, it risks removing the incentives underpinning cutting-edge innovation in the private sector... Only time will tell.

Market Recap

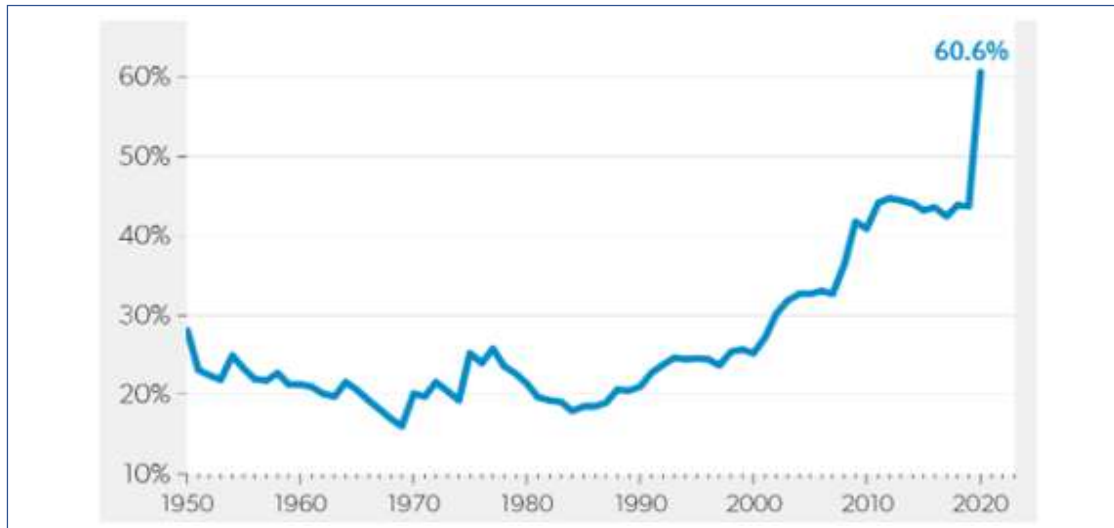
(Still) Living in a Material World



Source: McKinsey, BEA, BLS

- Reports of the death of U.S. manufacturing have been greatly exaggerated. Though the domestic manufacturing workforce has been shrinking for 40 years (thanks to increasing automation and offshoring), the industrial sector continues to have a larger impact on the broader economy than many realize.
- While offshoring production may often be more efficient from a financial standpoint, widespread supply-chain disruptions during the Covid pandemic exposed other strategic risks of being overly dependent on complex international operations.

Record Reprieve for Taxpayers



Source: Tax Foundation, Tax Policy Center

- For the first time on record, a majority of U.S. households did not pay any federal taxes in 2020. This anomaly is largely due to the pandemic-induced spike in unemployment and temporary tax credits provided for lower-income households. Despite many Americans' owing zero federal income taxes, all cohorts still pay payroll and sales taxes.
- The top 20% of taxpayers were responsible for 78% of overall federal taxes paid last year (a share that only slightly exceeded their share of income) - A fine example of the Pareto Principle (i.e. the 80/20 rule) in action!

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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