

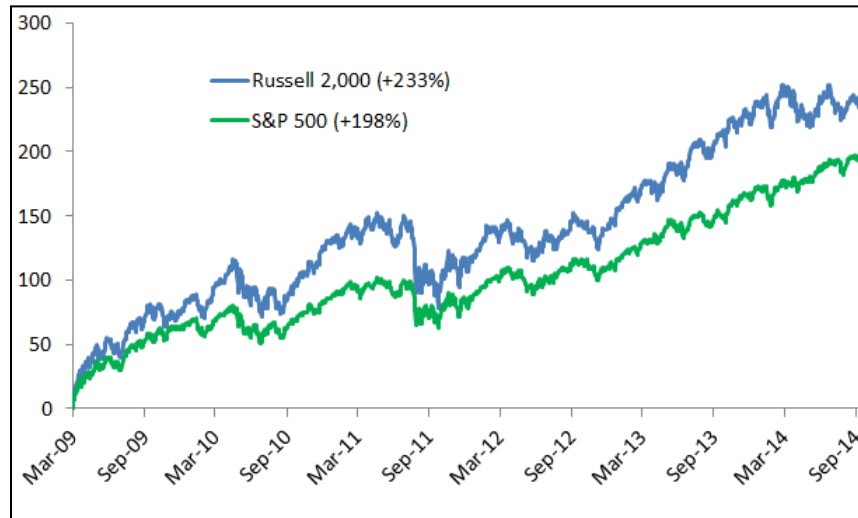
Market Recap

Government Bond Yields



Source: WSJ

Russell 2000 vs. S&P 500 % Change



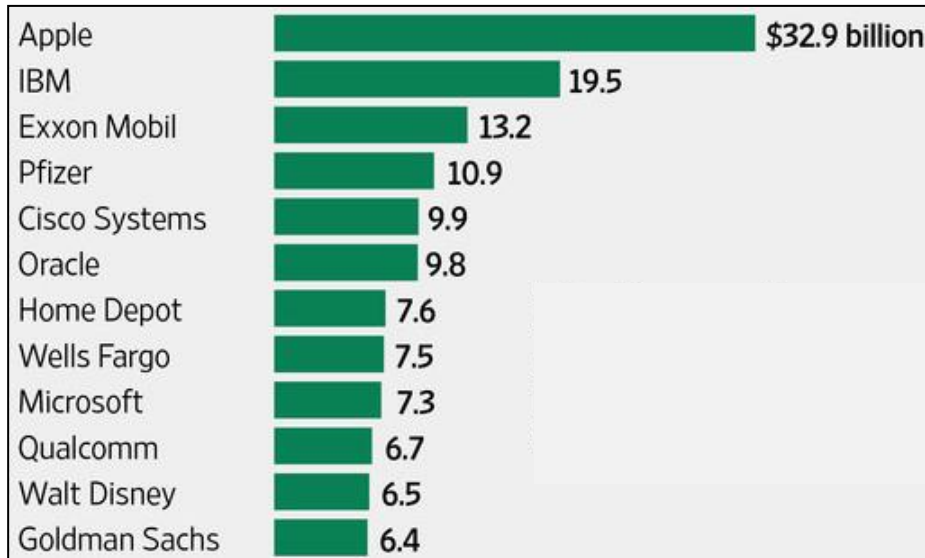
Source: Bespoke

Recent turmoil has drawn investors into short-term U.S. Treasury debt forcing yields into negative territory (in other words, leaving investors to pay for the privilege of lending to the U.S. government). The yield on the one-week U.S. Treasury bill fell to -0.013% and yields on other Treasury bills due in three months or less hover around zero. Negative Treasury yields were unheard of prior to the 2008 financial crisis, and have only occurred since then in times of market stress, reflecting extraordinarily expansive central-bank policy and anemic growth in much of the world. Yields on some U.S. bills traded below zero at the end of each of the past three years amid strong demand for liquid assets. Many investment firms are bracing for the end of the third quarter, when regulated firms often boost their holdings of “safe” assets to bolster their balance sheets. At the same time, investors continue to favor short-term government debt amid geopolitical turmoil from the Middle East to Ukraine.

Thus far this year, small cap stocks have significantly underperformed their larger counterparts. The Russell 2000 Small Cap Index is down close to 2%, while the S&P 500 is up nearly 9%. While it is generally unusual for small caps to underperform during periods of economic growth, this has been a year in which the S&P 500 has gained ground relative to small firms’ performance since the bull market began on March 9th, 2009. Over the last 5 ½ years, the Russell 2000 has increased 233%, while the S&P 500 lags at 198%. This 35 percentage point gap was more than twice that earlier this year. While economic and market experts remain puzzled as to why investment in small companies is slowing at a time when the domestic economy is expanding and risks are high in both international and emerging markets, it is clear that investors are downplaying those risks in search of outperformance.

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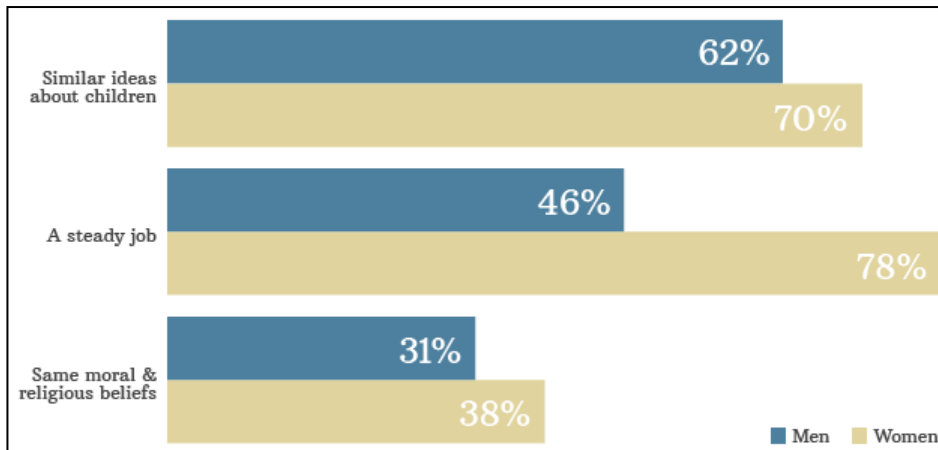
U.S. Companies with Largest Volume of Stock Repurchases in the Past Year



Source: Barclays

Companies are buying back more of their own stock than at any time since the financial crisis, helping to continue the stock rally amid a broad trading slowdown. Corporations bought back \$338.3 billion of stock in the first half of the year, the most for any six-month period since 2007. Thus far in 2014, 740 firms have authorized repurchase programs. The impact of these repurchases is magnified because the overall stock market trading volume has slowed. Companies with the largest buyback programs by dollar value have outperformed the broader market by 20% since 2008. Fans of buybacks are delighted to see a proportionally higher share of equity returned to shareholders. Critics of buybacks consider the opportunity cost of utilizing valuable cash to reduce the number of shares in lieu of reinvesting in the business.

Priorities When Seeking a Spouse



Source: Pew Research

Millennials are forgoing marriage at a level never seen before, and those who are exchanging vows are doing so later in life. The median age of marriage has increased to 27 for women, up from 20 in 1960, and to 29 for men, up from 23. When asked what dominates their list of “must haves” in a spouse, men and women offer different perspectives. For women, the top priority for their potential spouse is a steady job. This tops compatibility in ideas around having a family and raising children, as well as having similar moral and religious beliefs. Women place much lower priority on having the same level of education as or sharing the racial/ethnic background of their partner. While spousal employment is important to men, they are focused most on having similar ideas about raising children.

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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