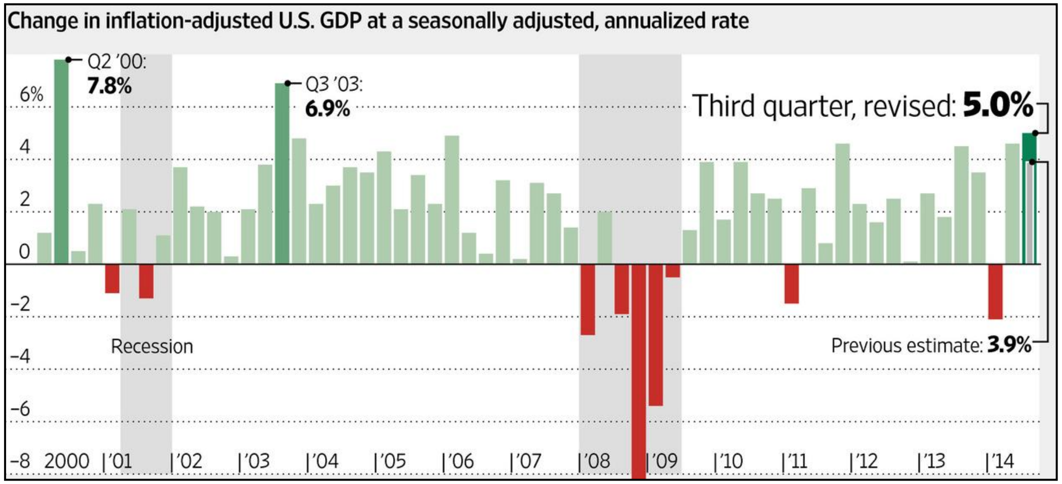
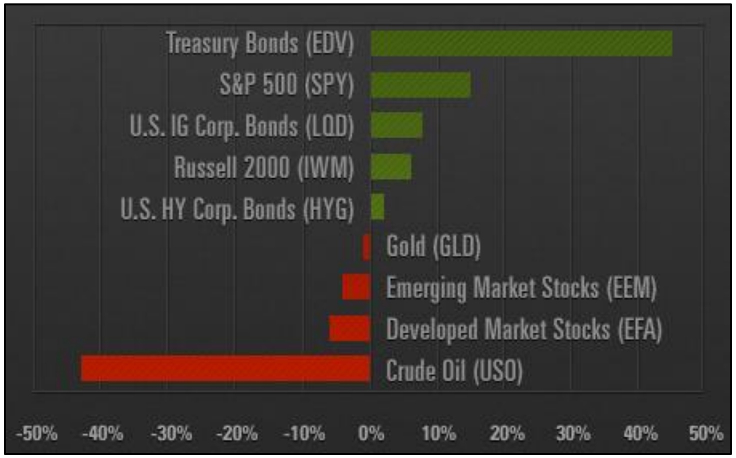
Market Recap

U.S. GDP Annualized Growth Rate



Source: Commerce Department; WSJ

2014 Select Asset Returns



Source: Bloomberg; Wall Street Daily

The economy finished 2014 on a positive note as third quarter GDP was revised upward to a 5% adjusted rate. This not only tops the second quarter rate of 4.6%, but also represents the highest quarterly rate since 2003. In addition, an increase in personal spending - which helps drive GDP - and lower unemployment are seen as optimistic signs that the economy is strengthening. Nonetheless, there are a number of underlying weaknesses that may continue to be drag on the economy going forward. The housing market data has been down the last two months and has yet to reach pre-recession levels. In addition, the strengthening US Dollar may reduce demand for US-made products around the world as they become more expensive. While these factors may have a negative impact on GDP, the consensus from Fed officials is for GDP to increase from 2.6% to 3% in 2015.

As 2014 comes to a close and college bowl season is upon us, let's look back on this year's asset class winners and losers. First, the winners: Equities. Overall, large cap stocks outperformed small cap stocks, with the S&P 500 up 14.3% during the year compared to the Russell 2000, up only 4.96%. Higher-quality bonds were clearly the underdogs heading into the year, as most expected interest rates to rise and bond prices to fall when the Fed exited their bond-buying and moved closer to raising interest rates. However, pulling off an upset, higher-quality bonds outperformed lower-quality bonds, with the Bloomberg Treasury Bond Index up 6.19%, the Corporate Bond index up 7.65%, and High Yield Bonds down (.26%). The losers: Commodities. Oil prices plummeted by 42%, dragging down most of the Commodity indexes which are largely based on energy.

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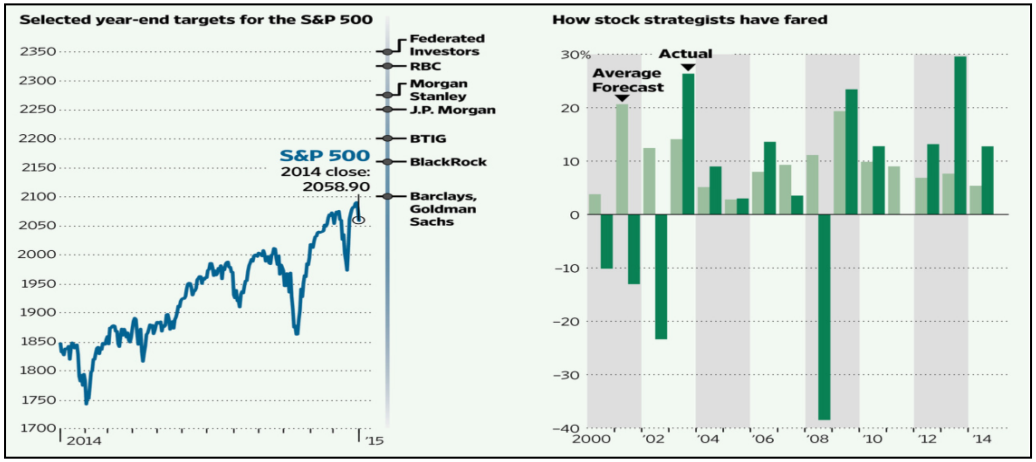
S&P 500 2015 Forecasts



Source: Birinyl Associates; WSJ

2014 Top Google Searches by State

Source: Estately

At the start of the New Year, Wall Street analysts predict that stock market gains will continue in 2015. However, they are watching a number of factors that may bring an end to the multi-year rally in stocks. Analysts are debating the impact of the widely-expected Fed action to increase short term rates. Some suggest that higher borrowing costs will reduce stock market returns, while others think the move by the central bank will be viewed as an endorsement of a strong economy, with little effect on returns. The global slowdown outside the US is also concerning, and may lead to a decrease in global demand for US goods which would impact corporate profits. Despite these economic headwinds, based on a poll from Birinyi Associates, most analysts predict volatility will continue and equities will increase in 2015 by 8.2%.

One of the more interesting year-end reviews is found on the real estate website, Estately. The firm employed Google Trends to compile a list of which topics rose to the top as the most-frequently Googled in each state. As is evident, each state is unique in its interests, and the topics range from what some might see as "bizarre" to what most might call "ordinary". Some of the more interesting searches include residents of New Mexico who searched for Zombies and New Yorkers who were learning about selfies. On the more mundane side of things we have Oregon which searched to learn about Ukraine and Nebraska which, perhaps not surprisingly, read up on the Keystone Pipeline. Take a journey across the map to see if your top search might be represented somewhere in the country.

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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