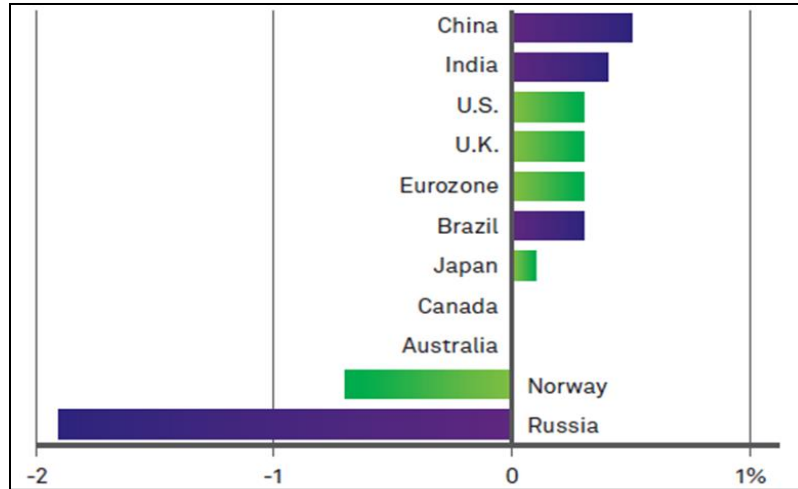


# Market Recap

## GDP Impact of \$25 Oil Price Decline



Source: BlackRock; UBS

The global recovery from the 2008 financial crisis has been an unusually tepid one. In 2015, the forecast for nominal GDP growth is once again expected to be below historical averages in most economies. However, the sudden decline in oil prices could reverse this trend as it will boost real growth in most economies. Declining oil costs suppress inflation in developed economies. This could strengthen calls for monetary stimulus in weak economies, and help keep a lid on bond yields in stronger ones. Lower energy prices also benefit many emerging market nations due to improved trade balances, reduced government subsidies, and lower inflation. India, Indonesia, and Thailand may be the winners. On the other hand, major oil exporters - such as Russia, Venezuela, and Nigeria - will almost certainly be the casualties in the wake of oil's decline.

## 10-Year Treasury Yield

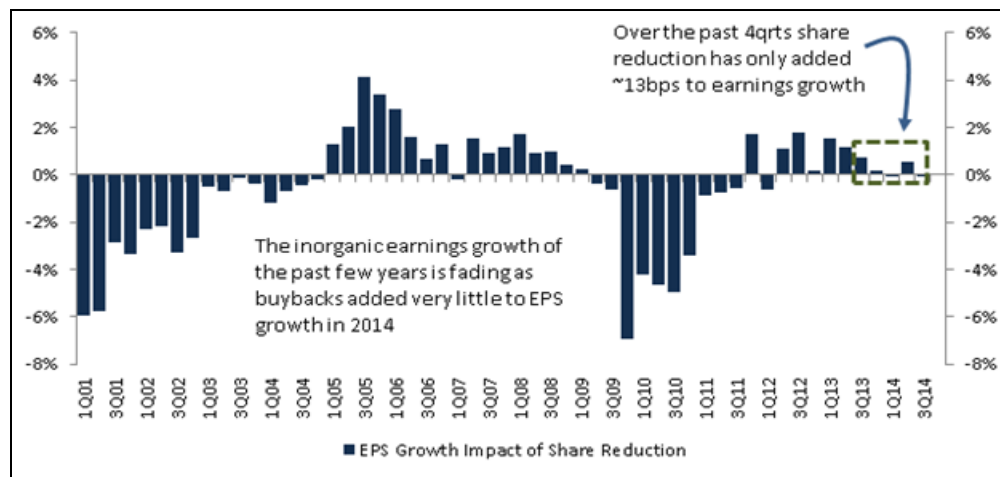


Source: Federal Reserve Bank of St. Louis

U.S. Treasury bond yields continue to fall as the 30-year hit record lows and the yield on the 10-year posted its lowest level since May 2013. As a result, the relative performance of U.S. bonds is strong, with the 30-year Treasury returning 5.6% thus far this year, compared to the S&P 500, which is down 1.7%. This bond market rally is driven, in part, by falling oil prices and related worries of deflation overseas. Deflation helps bond investors, but also limits spending which has a negative effect on future economic growth. This, coupled with the slump in December retail sales in the U.S., has many investors fleeing stocks and foreign bonds for the safety of U.S. debt. With rates at or near historic lows, this latest round of economic data may delay the Fed's increase in interest rates until later in 2015.

# Market Recap

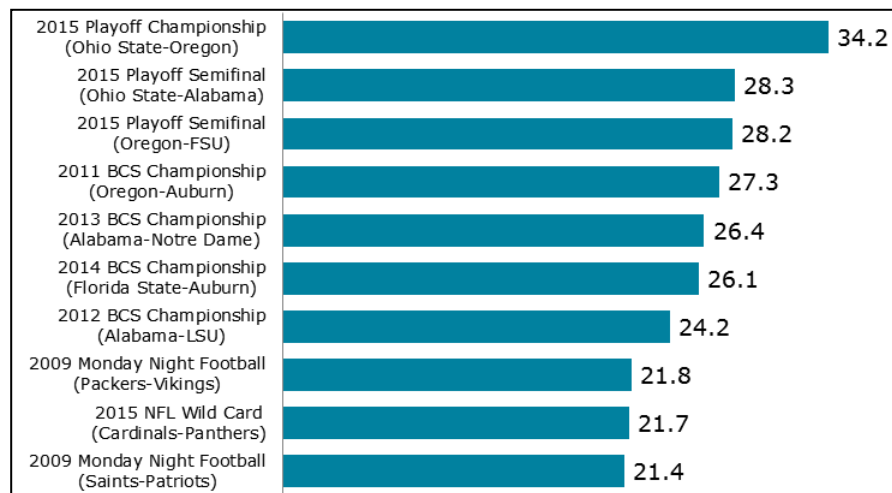
## Stock Repurchases



Source: Evercore ISI

Since the fourth quarter of 2011, EPS (earnings per share) growth was boosted by share buybacks. However, in 2014, this practice added little to EPS growth. In fact, only 13bps of earnings growth can be attributed to share buybacks in 2014, and this trend looks to continue in 2015. Companies with cash have two ways by which to return that cash to shareholders: they can issue a dividend, or they can buy back shares of stock. Buying shares of stock results in a reduction in the number of shares outstanding, which increases the EPS – and the value – of the shares still in the market. Conversely, a company may declare a dividend. However, a dividend is usually a recurring payment to shareholders, whereas a stock buyback is a tool used more episodically. In 2015, as corporate treasurers evaluate the optimal options for deployment of cash, if they believe their stock is fairly-valued, stock buybacks may be increasingly off the table.

## All-Time Most-Watched Cable Television Programs (in Millions)



Source: Estatelly, Yahoo

Regardless of which team won the college football playoff championship this year, the real winner is ESPN. This was the first year of the new college football playoff in which the top four teams in the country competed through elimination rounds in order to crown a champion. The championship game is reported to be the most-watched cable television program ever, reaching 34.1 million viewers. This was a 30% increase over last year's title game, and 29% over the 2013 game. In addition, the 2<sup>nd</sup> and 3<sup>rd</sup> most-watched programs are this year's semi-final games. Many questioned the \$7.3 billion price that ESPN paid to broadcast the college football playoffs for the next 12 years, however these ratings appear to justify their optimism. And ESPN should know an opportunity when it sees it...the top 10 most-watched cable programs of all time are football games that aired on ESPN.

**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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