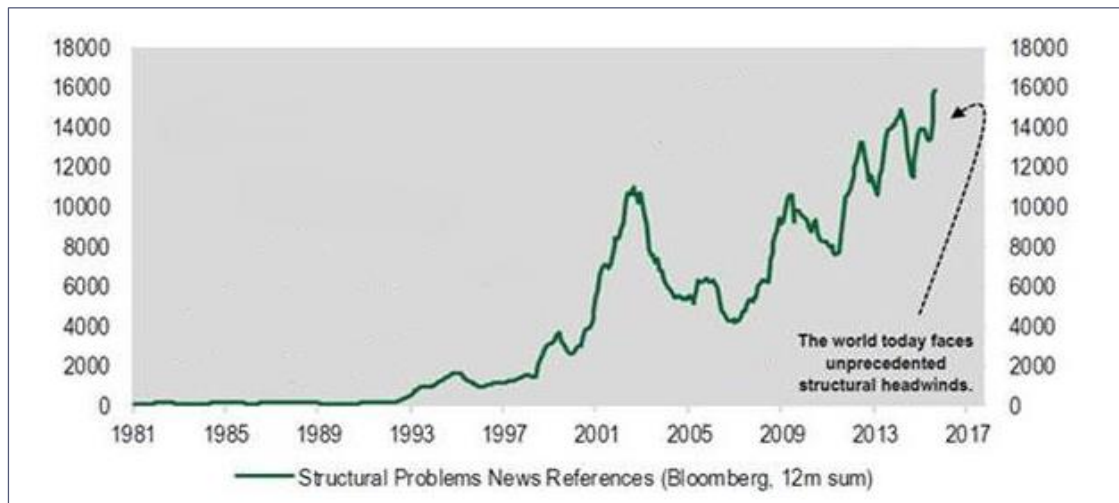


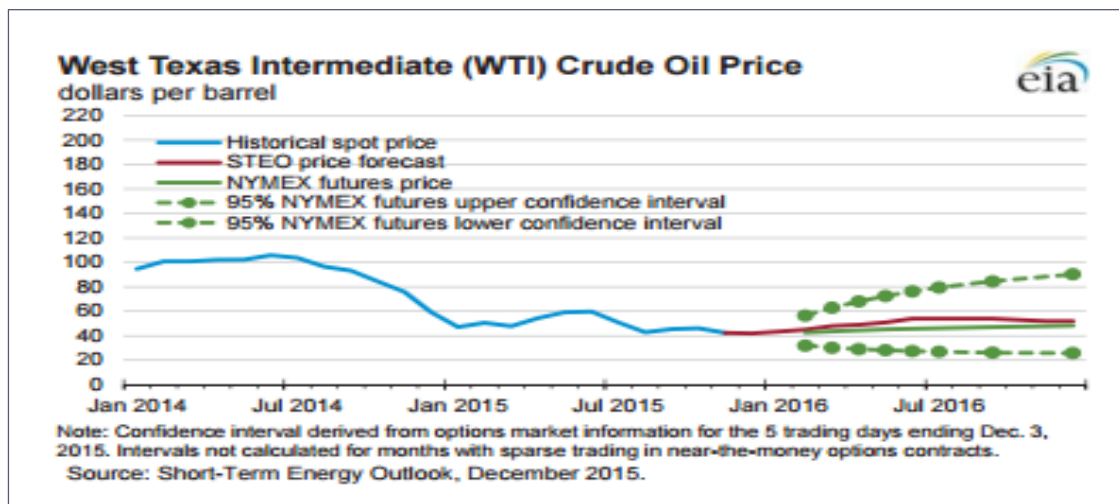
# Market Recap

## Structural Headwinds are Dominating Investor Focus



Source: Bloomberg, Cornerstone Macro

## Modest Increase In Crude Predicted in 2016



Source: US Energy Information Administration

On the heels of a tremendous 5-year bull market (which recorded especially strong returns in 2009, 2012 and 2013), the combination of structural headwinds, cyclical stimulus, an uneven recovery, and weakening equity returns has bred confusion among investors. In 2015, the equity market was largely flat as a slide in commodities, together with various geo-political events, moved certain areas of the world economy into stagnation or even recession. In an attempt to drive growth forward and fight against these headwinds, stimulus was enacted in several countries. The result: structural headwinds have become the focus of a greater level of attention from investors in today's climate than they were 10 or 15 years ago. In order for the market to stabilize and move forward, it will be important that headwinds no longer dominate the market news cycle. With company earnings season set to begin on January 11th, the hope is that the focus will revert to the health of company fundamentals and away from structural headwinds.

Throughout 2015, crude inventories rose by an estimated 1.8 million barrels a day, which was a substantial increase over 2014 and led to significant downward pressure on oil prices. While this inventory growth is expected to slow to an average of .6 million barrels per day in 2016, there are other factors which may drive continued volatility in 2016. Among them are the speed and volume of Iranian oil reentering the market, the strength of oil consumption growth, and the sensitivity of non-OPEC producers to lower prices. Consequently, it is difficult to hone 2016 price predictions as the oil market continues to balance the supply and demand issues. Today, data supports an increase in the price of oil and current projections are for Brent crude to an average of \$56/barrel and WTI Crude to an average of \$51/barrel in 2016.

# Market Recap

## 2015 – A Tale of Two Markets



Source: Morgan Stanley

## Sticking to Your Resolutions



Source: ritholtz.com

While the U.S. Equity markets were down slightly during 2015, the market's performance was actually one of great divergence – a few big winners, and lots of losers. The S&P 500 Index was down -.7%, but just five stocks with outsized returns kept the index hovering near breakeven in 2015, while hundreds of other stocks underperformed the broader index. This was most evident with the top technology and consumer discretionary stocks, including Amazon and Netflix, which were up 62.5% while the 25 largest stocks in the market were up 7%. Some sectors, such as energy, materials, and industrials, suffered double-digit declines. In lockstep, value stocks significantly underperformed growth stocks. Active managers, attempting to minimize portfolio risks through broad equity diversification, found this extreme performance divergence to be a challenge.

The success rate of New Year's Resolutions currently stands at a lackluster 12%. For those resolved to beat the odds, some keys to success include: defining a specific goal, tracking progress, and increasing accountability. When it comes to concrete goals, such as financial resolutions – which constitute about 34% of all New Year's commitments – specificity is key. Loosely-defined goals, such as "pay down debt" or "save for retirement," offer no standard against which to measure success, and therefore allow for procrastination and underachievement. Instead, try outlining a precise goal, such as "contribute 6% of each paycheck to an IRA" or "cut monthly expenses by 2%." Setting timelines and tracking progress bolster accountability, and observing your tangible progress can be a source of further motivation. Finally, tell others about your goal, in order to build in an additional layer of accountability, otherwise known as shame.

**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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