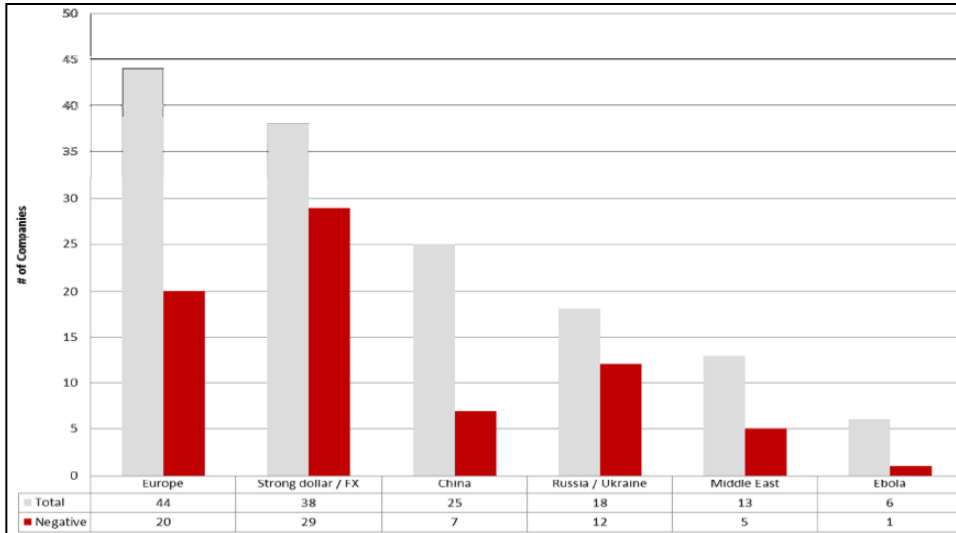


Market Recap

Issues of Concern Cited by S&P 500 Companies



Source: Factset

Leading Economic Indicators

Domestic PMIs	Aug-14	Sep-14	Oct-14
Empire Manufacturing	14.7	27.5	6.2
NAHB Housing Index	55.0	59.0	54.0
Philly Fed Survey	28.0	22.5	20.7
Kansas City Fed	3.0	6.0	4.0
Markit Mfg PMI	57.9	57.5	56.2
Markit Svcs PMI	59.5	58.9	57.3
Dallas Fed Index	7.1	10.8	10.5
Richmond Fed Activity	12.0	14.0	20.0
Chicago PMI	64.3	60.5	Friday
Milwaukee Mfg. Index	59.6	63.2	Friday
ISM Manufacturing Index	59.0	56.6	3-Nov
Detroit PMI	54.8	59.4	3-Nov
Austin PMI	51.1	50.0	3-Nov
ISM Services Index	59.6	58.6	5-Nov

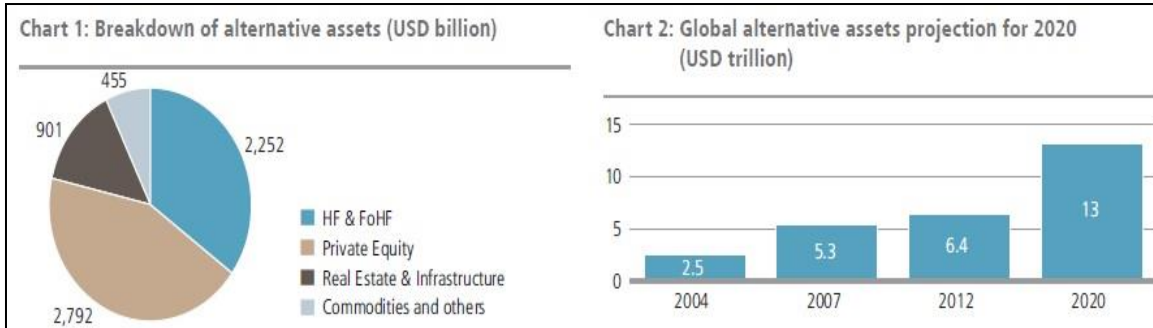
Source: Cornerstone Macro

A number of issues have contributed to the recent market pullback. Concerns about economic weakness in Europe, slower growth in China, the stronger U.S. dollar, geopolitical tensions in Ukraine and the Middle East, and the potential spread of Ebola have all been cited. Third quarter earnings announcements have provided greater clarity into the specific issues of concern to leaders of large U.S. multinationals. The conference call transcripts for the 68 S&P 500 companies that have reported through October 16 show that Europe and the stronger dollar are top of mind. Of the 38 companies that mentioned the stronger dollar, more than 75% indicated that their performance was hit negatively by currency translation during the quarter. It is interesting to note that while 25 companies cited 'China' during their calls, only seven reported that the slowdown in the Chinese economy was negatively impacting their company.

Recent economic announcements reveal a trend that may be concerning – at least in the near term. Thus far, for the month of October, seven of the eight Leading Economic Indicators (LEIs) have reported lower month-over-month results. The lower indicators range across housing, manufacturing, and financial services. Many believe this represents a clear signal that the U.S. economy is stumbling in the fourth quarter. With that said, there are signs that 2015 will show improvement, with most economists projecting a reacceleration of the data going into next year. This economic volatility has contributed to the recent market weakness and leads some prognosticators to believe that the market may remain largely flat for the balance of the year. Economists will look for a bottoming of the data before expecting a major advance in the market.

Market Recap

Alternative Investments – Past, Present and Future



Source: PwC

A survey by PricewaterhouseCoopers (PwC) and UBS shows that institutional investors are growing dissatisfied with hedge fund performance and are increasingly skeptical of potential future returns. The survey found that only 39% of respondents were satisfied with their hedge fund performance and only 25% expected a 'satisfying level of performance' in the next 12-24 months. Leading the charge, California Public Employees' Retirement System (CALPERS), the largest public pension, announced last month that it was vacating its hedge fund allocation. The pension cited complexity and costs as two reasons for the decision to exit the asset class. Overall, while allocations to private equity and other alternatives are expected to grow, hedge fund exposure is expected to remain static over the next two years. The report claims investors no longer expect double-digit returns from alternatives, but instead are content to settle for lower fees, better transparency, and low correlations with other asset classes.

When to Purchase Domestic and International Airline Tickets



Source: Airlines Reporting Corp.

While it has long been believed that Tuesday is the optimal day on which to buy airline tickets (in advance of Wednesday price increases), a recent study shows that Saturday and Sunday have taken over as the lowest priced days. With the advent of online intermediary pricing services (Kayak, Travelocity, Priceline, etc.) and airlines using social media for last minute travel sales, weekends have recently seen better relative pricing. The study also reveals that planning ahead is important as the cheapest time to buy domestic trips is 57 days before departure with prices 19% below the average. The study shows that international ticket prices do not fluctuate much between 10 months and three months before departure. However, about three months before departure, airlines begin aggressively raising prices on international flights.

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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