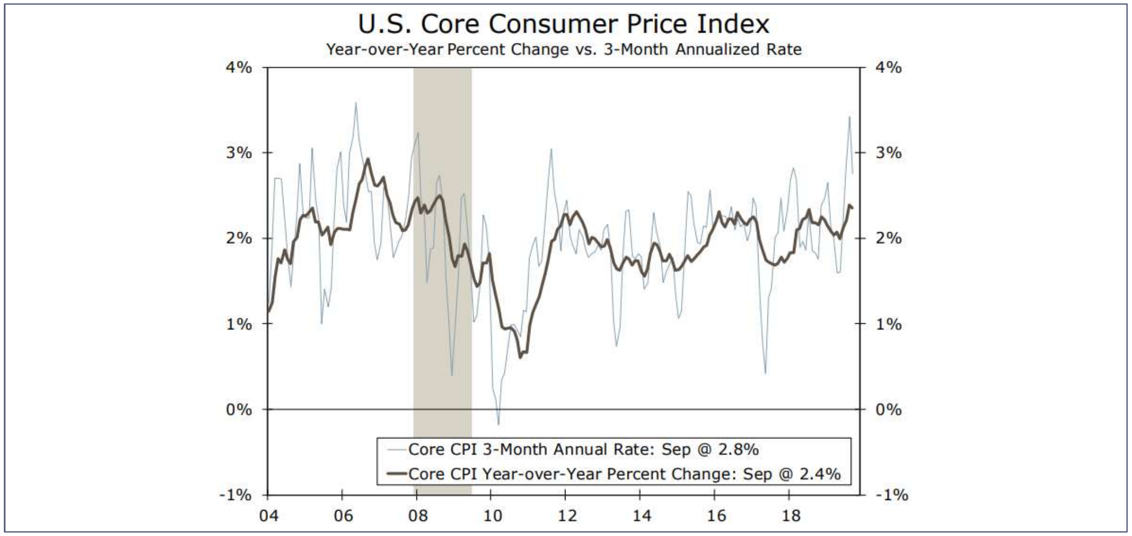
# Market Recap

## Labor Market Reflects Slowing Growth


Source: Bureau of Labor Statistics

## Inflation on the Prowl?




Source: Wells Fargo

The unemployment rate dropped to 3.5% in September, reaching its lowest rate since 1969. At the same time, wages continued to nudge modestly higher at 2.9% year-over-year. These trends are consistent with the latter stages of a cyclical recovery in employment, as jobs growth tends to slow while wages continue to rise. Although most leading indicators suggest that the economy is likely to sustain its 'lower for longer' growth environment into 2020, the employment picture will undoubtedly provide some important clues if conditions deteriorate in the months ahead. Historical data suggests that a recession doesn't necessarily cause a considerable drop in employment levels, but it does mean that companies tend to curb new hiring. This then leads to a slowdown in wage growth, which in turn puts pressure on consumer spending.

Investors closely watch inflation for indications of whether the Federal Reserve will be more likely to increase or lower interest rates going forward. While the markets are expecting at least one more rate cut in 2019, there are increasing fears of rate hikes in 2020 due to creeping inflation, as core CPI rose 2.4% year-over-year in September. Since the Federal Reserve currently targets inflation of 2% annually, some investors are concerned that interest rates may increase sooner than is warranted. However, Fed Chair Powell has proposed that the unusually low inflation levels of the past decade should be taken into consideration along with the notional 2% target. In order to avoid a reactive policy error, he has suggested that the inflation target can be exceeded for some time in hopes of obtaining a more balanced perspective amidst a changing economy.

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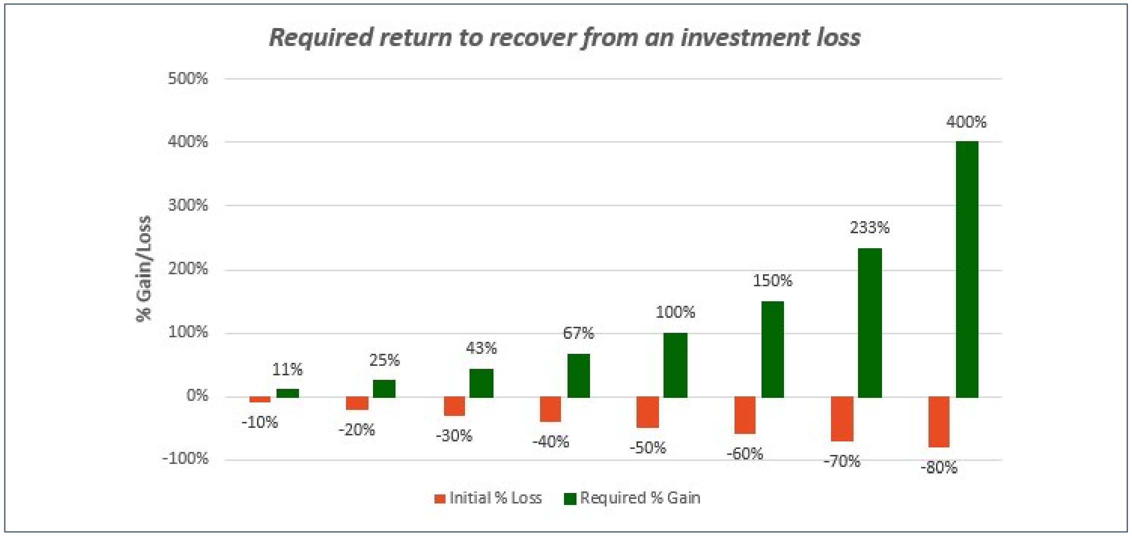
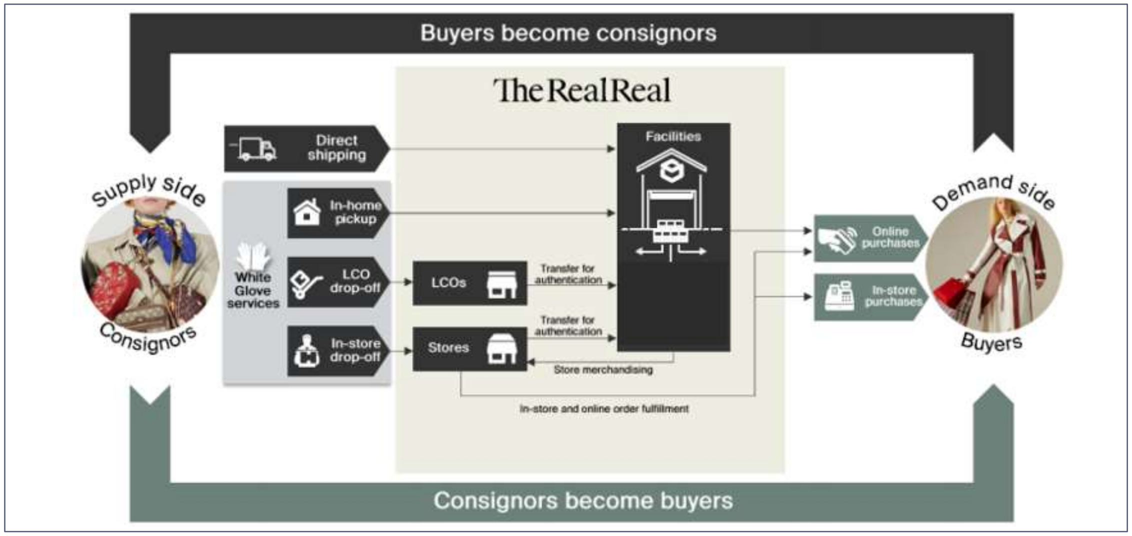
## The Math Behind Breaking Even




Source: Harbour Capital Advisors

## The Market for Second-Hand Goods is Taking Off, Online




Source: The RealReal, sec.gov

Calculating investment returns on a percentage basis can be somewhat counterintuitive. For example, an investor has $100 to invest in the market at the beginning of the year and decides to purchase one share of ABC Corp for $100. Over the next three years, the stock delivers annual returns of -20%, +20%, and +20%, sequentially. The investor arithmetically calculates the return over the life of the investment and concludes that his cumulative return is +20%. At first glance, this may seem correct, but it's not. Based on the annual returns, the investment would be worth just over $115 after Year 3—arriving at a 15.2% return over the full holding period. The way the math works, as losses get larger, the percentage return necessary to recover to breakeven increases at an accelerated rate, meaning as losses increase, it becomes exponentially more difficult to get back in the black.

In the past, buying second-hand luxury goods online was a dicey proposition at best. It wasn't uncommon to encounter "too good to be true" prices for knock-off goods with dubious return policies. Thanks to start-ups such as The RealReal and Poshmark, modern consumers have a more reliable means of accessing the secondary market for apparel and accessories. These companies have rolled out online marketplaces for authenticated luxury consignment and employ teams of professional brand authenticators. Motivated by the perception of a superior price/quality ratio, consumers can seamlessly sift through thousands of luxury products with complete price transparency and comfortably purchase used luxury products on the cheap. Indeed, many buyers feed the habit by becoming sellers as well.

**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.