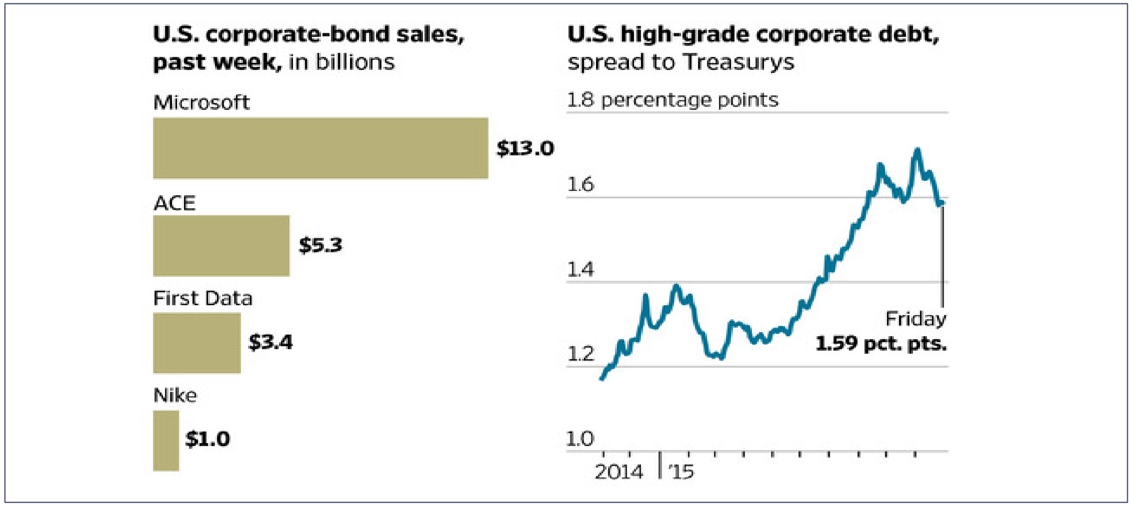
Market Recap

Investor Optimism Driving the Market Upward

Source: Bloomberg, BlackRock

Corporate Bonds Signal a Strengthening Economy



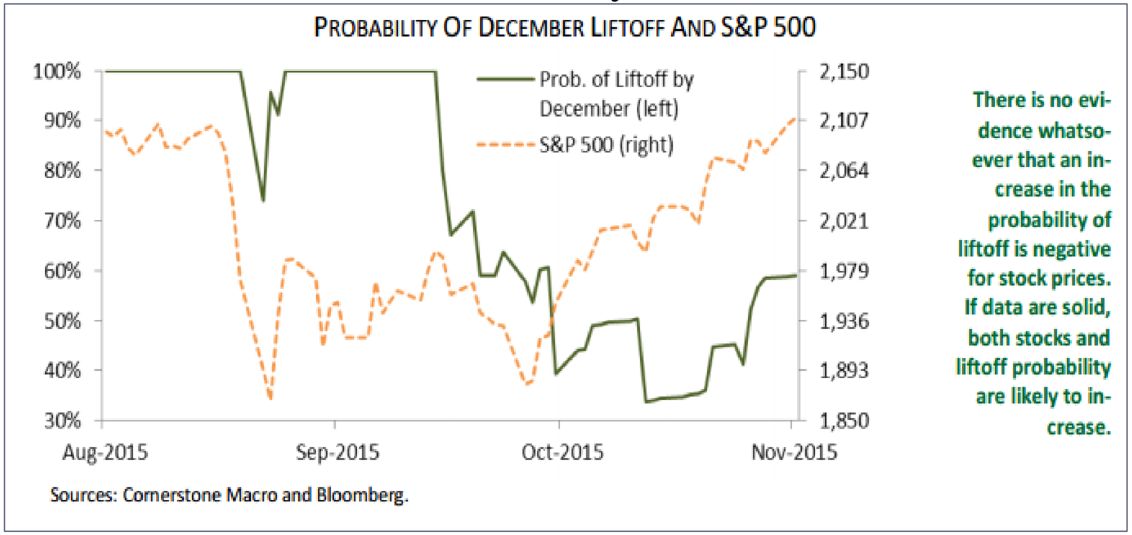
Source: WSJ

As the S&P 500 approaches its record level previously set in May, the index's Price-to-Earnings ratio (P/E ratio) is also nearing a five-year high of 18.9 (last seen on July 20th). During 2015, stocks have seen heightened volatility, suffering two significant corrections followed by dramatic market rises. Unfortunately, while stock prices have risen of late, earnings of U.S. companies have been flat to slightly negative, driving the P/E ratio higher. Despite the fact that, at a P/E ratio of 18.9 equities are deemed to be "expensive", stock investors continue to demonstrate their willingness to pay more for every dollar of earnings produced. One important positive driver is investor optimism about next year's earnings, and the belief that they are acquiring stocks at an opportunistic time. With poor earnings results in 2015 setting a low starting point, it should be relatively easy for 2016 corporate earnings to demonstrate year-over-year growth, leading to higher stock prices and healthier P/E multiples.

Last month, sales of investment-grade bonds (BBB+ or better), hit a new record for sales in the month of October topping $103 billion and are on track for their fourth straight yearly record. As economic growth during the third quarter stalled and the health of U.S. companies was questioned, corporate bond spreads (the difference between what an investor pays for a corporate bond versus its benchmark Treasury) widened making debt more expensive to issue. However, more recent indications of economic growth, coupled with the desire to issue bonds at low rates ahead of any interest rate move by the Fed, drove companies to issue debt sooner rather than later. In turn, bond spreads have tightened from 1.71% to 1.59%. Investors are willing to accept lower coupons for corporate debt, acknowledging improving credit quality and a lower chance of default. This tightening of spreads is a positive sign for the U.S. economy.

Market Recap

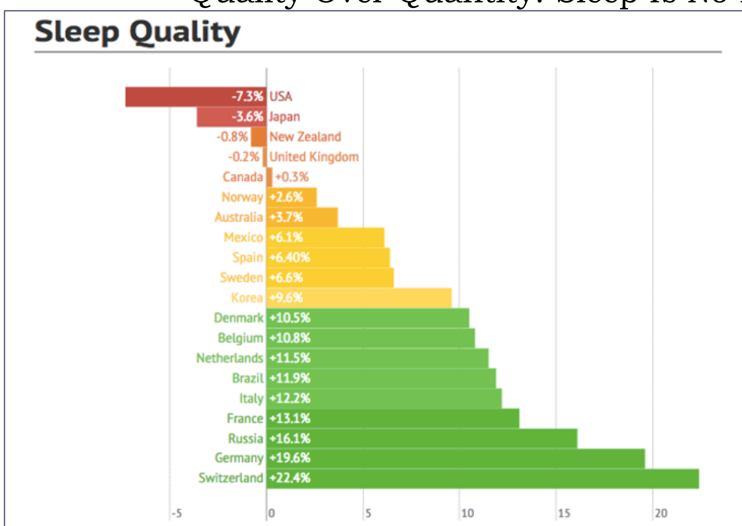
Fed Liftoff is Not Necessarily Bad for Stocks



Source: Cornerstone Macro and Bloomberg

The U.S economy added 271,000 jobs in October, with the unemployment rate falling to 5%. This is the best monthly gain of 2015. Wage growth registered 2.5%, the strongest number we have seen since 2008. This bodes well for the economy at large—higher wage growth is supportive of consumer spending, which is a large driver of U.S. economic growth. One implication of such a strong payroll report is that the market probability for a Fed rate hike in December has jumped from approximately 60% to 70-80%. Higher rates intuitively benefit margins for financial institutions, but the general perception is that stronger returns in the fixed income market and tighter financing may be a drag on equity valuations. However, this rate hike is expected to be modest, and the removal of the uncertainty surrounding the liftoff may actually be supportive to the broad market.

Quality Over Quantity: Sleep Is No Exception



Country	Hours in bed	Country	Hours in bed
Japan	5:36	Canada	7:00
Korea	5:44	Norway	7:01
Mexico	6:26	France	7:04
Brazil	6:32	Denmark	7:05
Russia	6:34	Sweden	7:07
Italy	6:45	Belgium	7:09
Spain	6:47	United Kingdom	7:13
USA	6:55	Australia	7:14
Germany	6:58	Netherlands	7:16
Switzerland	6:59	New Zealand	7:21

Source: SleepCycle.com

Although experts recommend sleeping 8 hours per night, many studies suggest that the key to healthy sleep patterns may lie in the quality of sleep, not the quantity. To analyze modern sleep patterns in a historical context, scientists studied three current preindustrial societies in Africa and Latin America, finding that these indigenous people averaged only 6.4 hours of sleep per night, yet exhibited lower levels of high blood pressure, obesity, and insomnia than Americans. In addition to diet and exercise, light and temperature were found to play crucial roles in the quality of sleep. These indigenous people slept without distractions – the light from a TV, perhaps – and outdoors, where the temperature drops gradually over the course of the night, rather than in a climate-controlled structure. So, for all of the efficiency that technology affords us, it may in fact be creating inefficiencies in our sleep habits.

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.

Disclosure: Harbour Capital Advisors, LLC ("HCA") is an SEC-registered investment adviser located in McLean, Virginia. HCA and its representatives are in compliance with the current filing requirements imposed upon SEC-registered investment advisers by those states in which HCA maintains clients. HCA may only transact business in those states in which it is registered or qualifies for an exemption or exclusion from registration requirements. A direct communication by HCA with a prospective client shall be conducted by a representative that is either registered or qualifies for an exemption or exclusion from registration in the state where the prospective client resides. For information pertaining to the registration status of HCA, please contact the SEC or the state securities regulators for those states in which HCA maintains a notice filing. A copy of HCA's current written disclosure statement discussing HCA's business operations, services, and fees is available from HCA upon written request. HCA does not make any representations or warranties as to the accuracy, timeliness, suitability, completeness, or relevance of any information prepared by any unaffiliated third party and takes no responsibility therefor. All such information is provided solely for convenience purposes only and all users thereof should be guided accordingly. Past performance may not be indicative of future results. Therefore, there can be no assurance (and no current or prospective client should assume) that future performance of any specific investment or investment strategy (including the investments and/or investment strategies recommended or undertaken by HCA) made reference to directly or indirectly by HCA will (i) be suitable or profitable for a client or prospective client's investment portfolio or (ii) equal the corresponding indicated historical performance level(s). Different types of investments involve varying degrees of risk. Historical performance results for investment indices and/or categories generally do not reflect the deduction of transaction and/or custodial charges, the deduction of an investment management fee, or the impact of taxes, the incurrence of which would have the effect of decreasing historical performance results. The material contained herein is provided for informational purposes only and does not constitute an offer to buy or sell or a solicitation of an offer to buy or sell any option or any other security or other financial instruments. Certain content provided herein may contain a discussion of, and/or provide access to, HCA's (and those of other investment and non-investment professionals) positions and/or recommendations as of a specific prior date. Due to various factors, including changing market conditions, such discussion may no longer be reflective of current position(s) and/or recommendation(s). Moreover, no client or prospective client should assume that any such discussion serves as the receipt of, or a substitute for, personalized advice from HCA, or from any other investment professional. HCA is neither an attorney nor an accountant, and no portion of the content provided herein should be interpreted as legal, accounting, or tax advice. The tax information contained herein is general in nature and is provided for informational purposes only. HCA does not provide legal, tax, or accounting advice. HCA cannot guarantee that such information is accurate, complete, or timely. Laws of a particular state or laws which may be applicable to a particular situation may have an impact on the applicability, accuracy, or completeness of such information. Federal and state laws and regulations are complex and are subject to change. Changes in such laws and regulations may have a material impact on pre– and/or after–tax investment results. Rankings and/or recognition by unaffiliated rating services and/or publications should not be construed by a client or prospective client as a guarantee that he/she will experience a certain level of results if HCA is engaged, or continues to be engaged, to provide investment advisory services, nor should it be construed as a current or past endorsement of HCA by any of its clients. Rankings published by magazines, and others, generally base their selections exclusively on information prepared and/or submitted by the recognized adviser.