

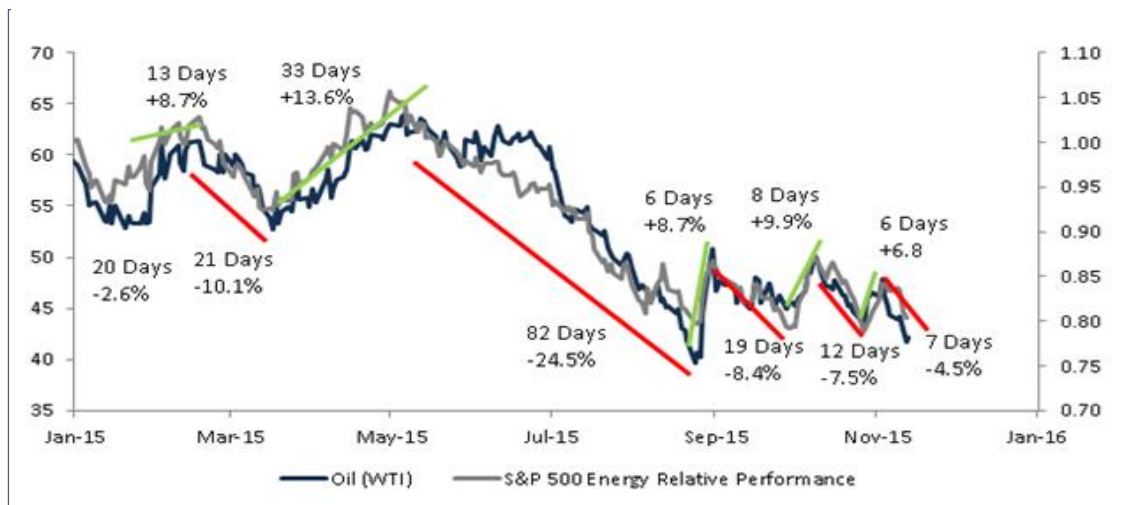
Market Recap

Holiday Sales Increase is Muted



Source: National Retail Federation, Morgan Stanley

The Influence of Oil in 2015



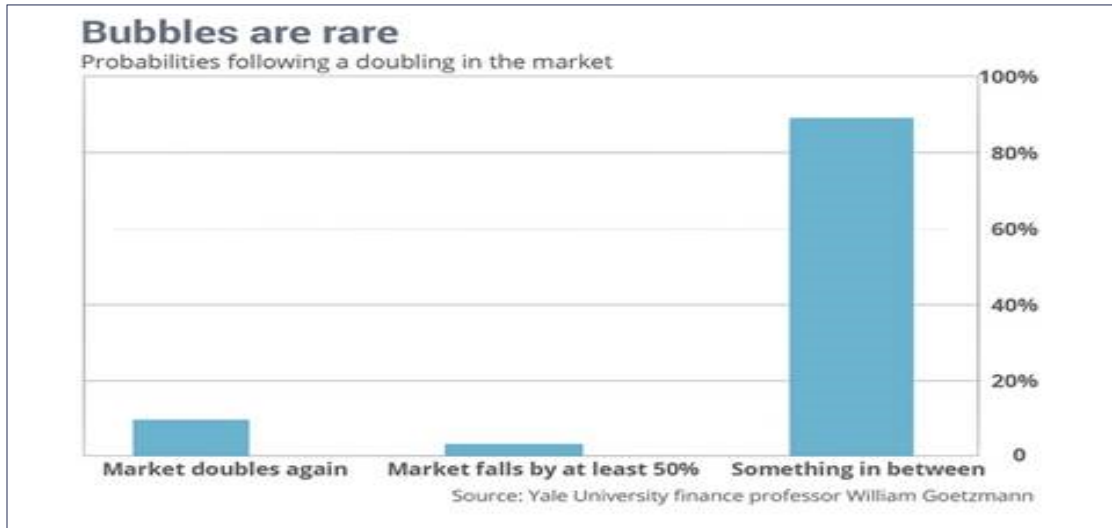
Source: Evercore

The holiday shopping season, which loosely runs from early November through December, is crucial for retailers, amounting to approximately 30% of annual sales. This year, holiday sales are expected to continue a 7-year rise, increasing to \$630.5 billion. While this year's sales levels are positive on an absolute basis, analysts are concerned that year-over-year relative growth is slowing. In 2015, sales are expected to grow by 3.7%, compared to last year's 4.1% growth. Despite lower gas prices, lower unemployment, and higher wages, it appears that consumer spending will not see a significant boost this year. Some analysts are even predicting one of the softer holiday shopping seasons since 2008, and suggest that one area of the retailing sector that may benefit is off-price retailers targeting lower income consumers. Concerned about geopolitical unrest and economic uncertainty, consumers continue to save instead of spend.

Movements in the price of oil have been a driving factor behind activity in the stock market throughout 2015. Fluctuations in the price of Crude Oil have been almost perfectly correlated to price movements in energy-related stocks. Beyond this, the precipitous decline in oil prices (over 60% since July '14) and the consequent effect on energy profits have negatively impacted earnings for the S&P 500 as a whole in 2015. Oil prices currently reside near \$40/barrel, which appears to be holding as a minimum support level for oil. As a result, analysts are looking for moderate upside to Energy Sector earnings growth from 2015 to 2016, due to the fact that the likelihood of another significant year-over-year drop in crude prices is limited.

Market Recap

How Likely Is a Bubble?



Source: Yale University

'Tis the Season for Giving



Source: AppleTree Institute, Catalogue for Philanthropy

History is important to the study of financial market bubbles precisely because they are extremely rare events. Yale University professor, William N. Goetzmann, conducted a study across broad world equity markets in an attempt to assess the likelihood of a bubble event in different situations. As the metric for defining a “bubble”, he used a market value loss of 50%. While logic may suggest that a bubble is much more likely following a large run up in a given market, Goetzmann reports that the probability of a bubble conditional upon a boom (or doubling in market value) is barely higher than the unconditional probability of a bubble ever occurring. Furthermore, the market is historically *more* likely to double again than it is to lose 50% of its value. The market tends to tread water somewhere between these two extremes the majority of the time—which is consistent with the business cycle theory of investing.

For those in the Washington, DC metropolitan area looking to “give where they live,” the Catalogue for Philanthropy is a wonderful resource. Each year, the Catalogue’s experts evaluate the mission, financial integrity, and involvement of charities around the Greater Washington area in order to compile a list of high-impact, local nonprofits. These experts handle the vetting process so that you can focus on the cause(s) you want to benefit: Literacy? Food security? Veterans services? Nature? Visit www.cfp-dc.org for profiles on each of the 300+ organizations chosen. Lists of this sort can help to illuminate causes or charities which otherwise may be overlooked due to their relatively small size. This holiday season and beyond, consider how to maximize your impact. The Catalogue’s gift card option, for example, can be a powerful tool for promoting the giving spirit by engaging others in the charitable process.

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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