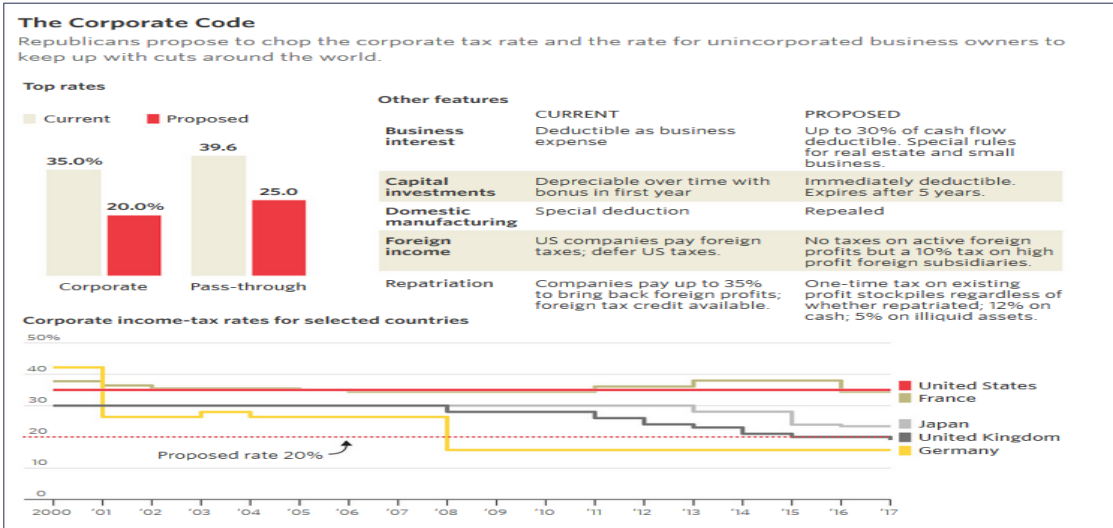


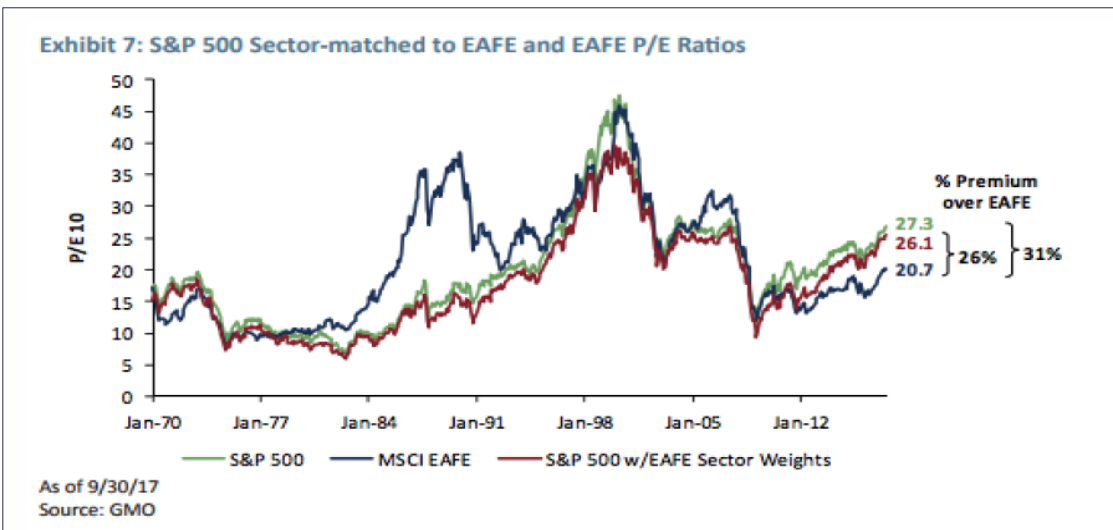
Market Recap

Proposed Tax Reform: Individual and Corporate



House Republicans released their initial proposal to revise the tax code last week. The plan primarily focuses on reducing the rates paid by corporations in order to increase global competitiveness, as well as reducing the number of tax brackets for individuals. In addition, the proposal would double the current estate-tax exemption of \$11.2 million per married couple and eventually repeal the estate tax altogether beginning in 2024. However, the bill may be challenging to pass in its current form given the tug-of-war between various interest groups, and several powerful constituencies have already voiced their displeasure. The House hopes to pass tax reform by the end of the year, with changes to take place in 2018 and thereby reflected in tax returns filed in early 2019. Considering that the situation remains fluid, the potential positive effects don't appear to be priced into the market just yet.

Relative Valuations between U.S. and Non-U.S. Equities

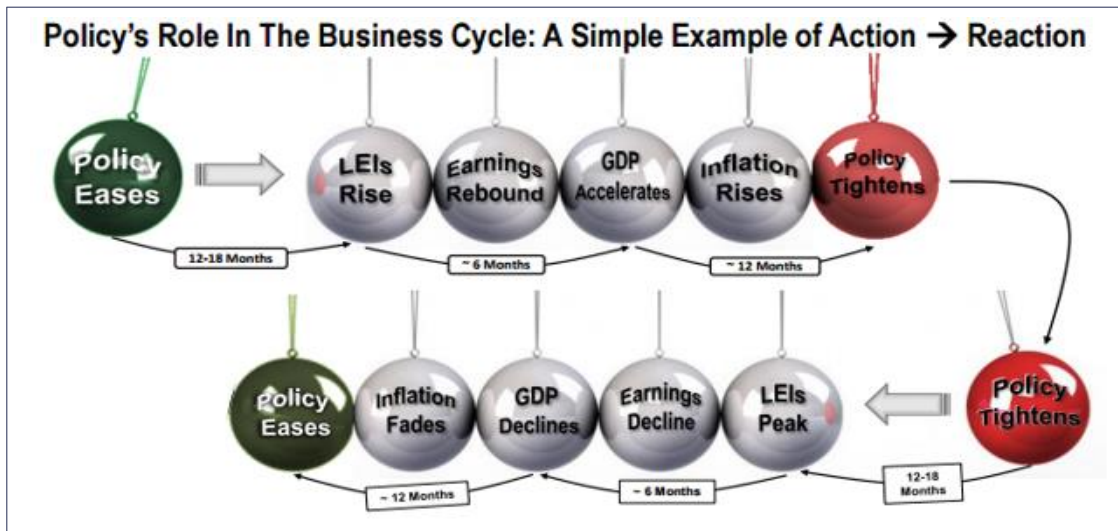


Following several years of strong returns, U.S. stocks are currently priced at a meaningful premium relative to their overseas counterparts. While the U.S. equity market has substantially outperformed its major international peer group since the Global Financial Crisis, longer-term return differentials between these markets are more modest. The more recent divergence in relative returns is mostly attributable to the fact that economic recovery was slower to take root in Europe and Asia. Despite recent trends, economists continue to project that longer-term returns should gradually converge as the cycle matures. If that forecast proves accurate, international stocks may represent an attractive opportunity for patient investors.

Source: GMO

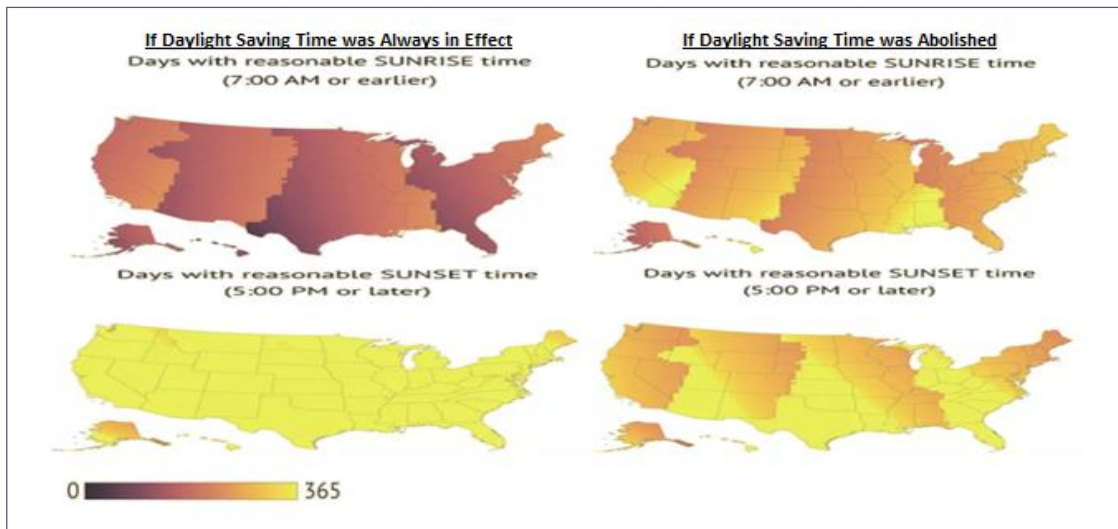
Market Recap

Monetary Policy and Business Cycle Implications



Source: Cornerstone Macro

Daylight Savings Time: A Misguided Concept?



Source: Vox

With a dual mandate focused on maximizing domestic employment and providing stable prices for consumers, the Federal Reserve plays an important role in curbing excesses and mitigating recessionary pressures throughout the economic cycle. The primary tool the Fed uses to influence the economy is its target interest rate policy (i.e. the price everyone pays to borrow money). However, the effects of any change in monetary policy typically lag implementation by 12-18 months, after which a corresponding reaction plays out among leading economic indicators, earnings and economic growth, and eventually inflation. In essence, the Fed is perpetually aiming to smooth out the business cycle – implementing tighter policy when the economy begins to run too hot (thus curbing runaway inflation) and easing policy when signs of a slowdown surface (relieving the negative impacts on employment).

Daylight Saving Time (DST) as we know it was originally drawn up as an energy conservation effort during World War I, and became a national standard in the 1960s. The aim was to shift the number of daylight hours we get toward the evening – if the sun sets at 7 PM instead of 6 PM, we would theoretically spend less time with the lights on in our homes at night, creating a net savings in electricity usage. While the actual impact on energy use is debatable, it is worth examining the effects that either abolishing or permanently installing DST would have upon us. Permanent adoption of DST would significantly shift the distribution of daylight we receive from morning to evening (more late sunsets, fewer early sunrises) while abolishing DST would create a more even distribution. Many argue that evening light is more valuable than morning light – evidence shows that we engage in more leisure and exercise activities after work – suggesting that we may benefit if DST were to be permanently adopted.

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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