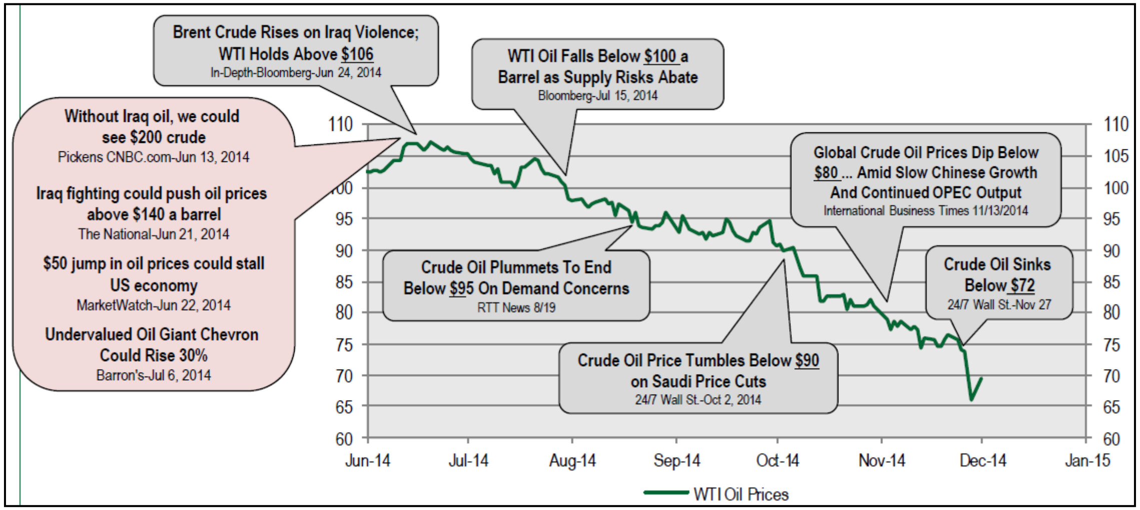
Market Recap

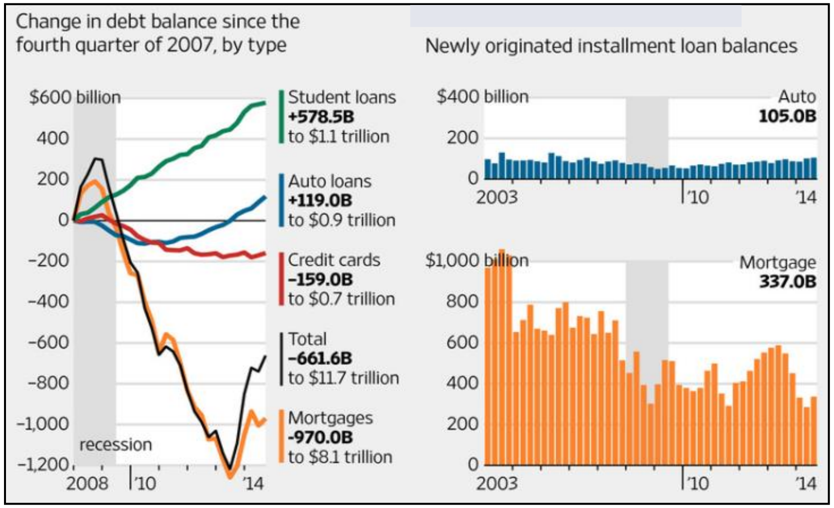
Declining Price of Crude Oil



Source: Bloomberg; Cornerstone Macro

Falling oil prices are boosting ailing global economies and freeing up cash for American consumers at the start of the peak shopping season. Impacted by both lower emerging market demand and expanding U.S. domestic energy supplies, the price of oil has declined approximately 40% since its peak in mid-June. Lower gas prices will put an extra $108 billion into U.S. consumers' pockets, representing a 0.8% increase in disposable personal income. U.S. manufacturers and transportation companies are also huge benefactors of lower oil costs. Not everyone benefits when oil costs are depressed, however. American oil producers lose out on future production projects when investment budgets are cut. Firms engaged in sourcing alternative energy (e.g. wind and solar) take a hit when oil is cheap. And, Europe's economic recovery may languish due to the continued deflationary pressure of lower oil prices.

Rising Consumer Debt Levels



Source: Federal Reserve Bank of New York; WSJ

Recent figures from the Federal Reserve of New York show that Americans have been increasing their borrowing in the form of mortgages, car loans, credit cards, and student loans. Household debt rose $78 billion between July and September to $11.7 trillion. Debt levels had fallen considerably following the recession and remain $1 trillion below their peak in 2008. For the most part, consumers are taking on new loans carefully, yet late payments on one fast-growing category of debt—student loans—are worsening. Growing student loan burdens are troubling because they could keep younger Americans from saving or spending in other ways, such as buying homes. Overall, the numbers suggest Americans are gradually becoming more comfortable borrowing again after years of shedding debt. With cheaper gasoline and an improving job market, more borrowing could fuel holiday shopping and give more support to the economy.

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Market Timing and the S&P 500 Returns (1983 to 2013)

Source: Ned Davis; Columbia Investments

Many investors attempt to time the market, chasing the latest hot investment and/or exiting positions amidst market downturns. However, approaching investing with a short-term perspective can be detrimental to performance and jeopardize long-term financial success. If one were to miss investing on the ten best days of the S&P 500 Index for the period 1983- 2013, one's average annual return would drop from 8.40% to 5.80%. If one missed the twenty best days, the average annual return drops to 4.09%. If individual days can affect performance so dramatically, then why not be in the market on all of the good ones and out on all of the bad ones? Far easier said than done. While no single investment strategy assures a profit or protects against loss, it has been proven that "market timing" is the least effective when building wealth for the long term.

The 12 Days of Christmas Index

Source: PNC

In 1984, the cost of acquiring all the gifts chronicled in the classic carol "The 12 Days of Christmas" was determined as one Index. The value in that year: $12,623. By 2004, the Index had risen to $66,334. This year, the cost of the Index was up again to $116,000 from $114,000 a year ago, roughly in-line with an overall CPI increase of 1.75%. With inflation flat and fuel costs sinking, many of the costs of the Christmas items remain unchanged from a year ago. Prices held steady for the pair of turtle doves ($125), the quartet of calling birds ($600), the five gold rings ($750), the septet of swans ($7,000), the octet of maids-a-milking ($58), the nine ladies dancing ($7,552), the almost-a-dozen pipers piping ($2,635), and the drummers drumming ($2,854). Three items – all fowl - saw significant percentage price hikes: the trio of French hens jumped 10% to $181.50; the cost of the partridge increased 33% to $20; and, the half-dozen geese jumped 71.4% to $360.

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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