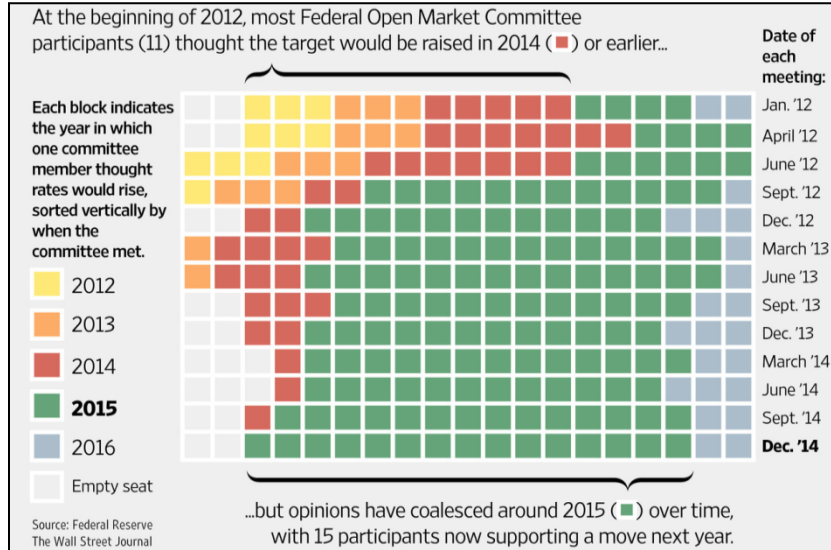


# Market Recap

## Federal Open Market Committee



Source: Federal Reserve;WSJ

## Consensus S&P 500 Return Outlook

Year	S&P Return	Outlook
2015		10%
2014	7.5% (YTD)	10%
2013	29.60%	10%
2012	13.4%	12%
2011	0%	10%

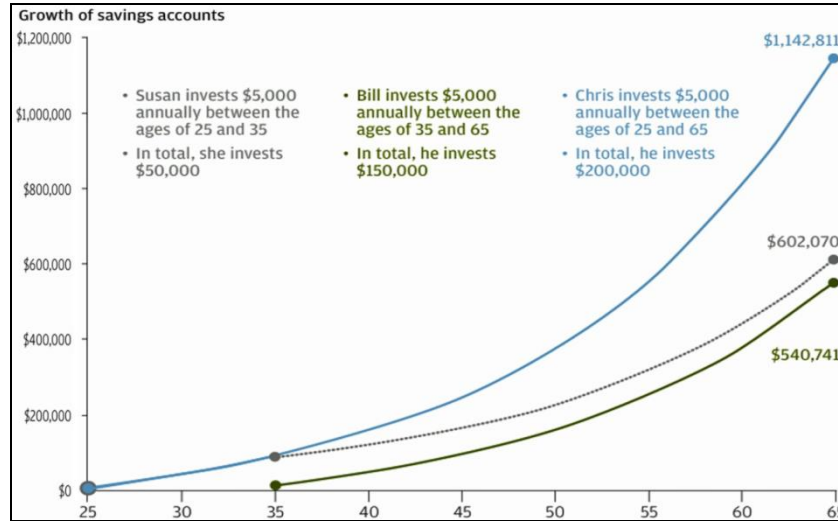
Source: Barron's

With its recent statement, the Fed took a step towards raising short-term rates in 2015. The comment "...beginning to normalize the stance of monetary policy...", was the most direct reference to raising rates the Fed has made. Rates have been near zero since December 2008. Since then, the Fed has offered assurances that rates would remain low amid low inflation and elevated levels of unemployment. Investors have been fixated on the nuance of these messages. Stock prices sharply extended gains when a reference to the "considerable time" assurance reappeared in the Fed's statement. They fell when Fed Chairwoman Janet Yellen suggested a move after two meetings is possible. The latest market move amounted to a vote of confidence that the Fed and economy were on track. Several top Fed officials have said they expect they will start lifting rates around the middle of next year. The Fed's interest rate projections, released with Wednesday's statement, suggest that this timeline remains the predominant view.

Late in the fourth quarter, market strategists turn their attentions forward and release their expectations for the new year. Analysts' projections should be taken with a grain of salt as sentiment readings tend to have very little correlation with markets, except when they reach extreme levels. At this time, collectively, market strategists expect the S&P 500 Index to gain 10% next year, with predictions ranging from 2,100 to 2,350 (the index is currently near 2,000). This bullish view is consistent with historic behavior as very few bears show up in most start-of-the-year surveys. As markets tend to go up three out of four years, it's not surprising that the bulls are willing to take a positive bet on next year's performance.

# Market Recap

## The Power of Compound Interest



Source: J.P. Morgan

Compound interest is fundamental to successful investing and has powerful consequences over time. It occurs when the interest that accrues on an amount of money, in turn, accrues interest itself. For example: three investors experience the same annual return with their investments, however, the investment period differs with important results. 1) Susan invests \$5,000 per year between the ages of 25 and 35 (10 years). 2) Bill also invests \$5,000 per year, but from age 35 to 65 (30 years). 3) Chris invests \$5,000 per year, but from age 25 to 65 (40 years). Intuitively, it makes sense that Chris would end up with the most money, but the differential is staggering. Interestingly, Susan, who saved for just 10 years but began saving earlier, has more wealth than Bill, who saved for 30 years. That discrepancy is explained by compound interest. The lesson is: the longer you wait to start saving for retirement, the more you miss out on the benefits of the incredible power of compound interest.

## David Letterman Top-10 Lists

Top 10 Celebrities Mentioned the Most in Letterman's Top Ten Lists	Top 10 Politicians Mentioned the Most in Letterman's Top Ten Lists
10. Kathie Lee Gifford	10. Newt Gingrich
9. Martha Stewart	9. George H.W. Bush
8. Richard Simmons	8. Barack Obama
7. Larry King	7. Dan Quayle
6. Michael Jackson	6. Saddam Hussein
5. Madonna	5. Dick Cheney
4. Donald Trump	4. Al Gore
3. O.J. Simpson	3. Hillary Clinton
2. Oprah Winfrey	2. George W. Bush
1. Regis Philbin	1. Bill Clinton

Source: CBS; Slate

In May, David Letterman steps down as host of the Late Show, passing the torch to Stephen Colbert. One hallmark of Letterman's reign in late-night comedy has been the "Top Ten List". To date, there have been over 4,000 lists. A look at a compilation of all 4,000 reveals some "Top Tens" of the Top Ten Lists. For example, certain celebrities tend to appear with higher frequency, as do certain politicians. The celebrities range from those who were prominent in the news (e.g. Donald Trump and Michael Jackson) to those whose names generated laughs from the audience (e.g. Regis Philbin and Richard Simmons). The frequency of mention of politicians was largely based on personality, not political view, and, other than Vice President Biden, no President or Vice President escaped frequent appearance on the Lists.

**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](http://www.harbourcapitaladvisors.com).

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