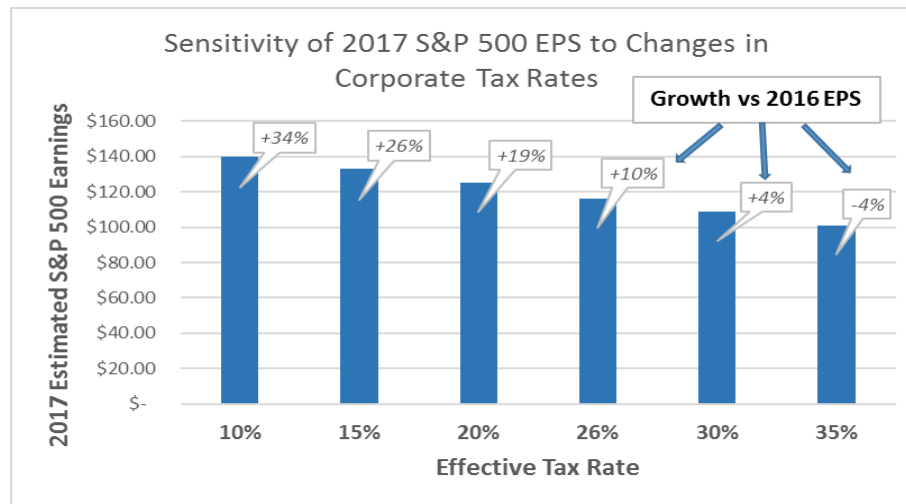


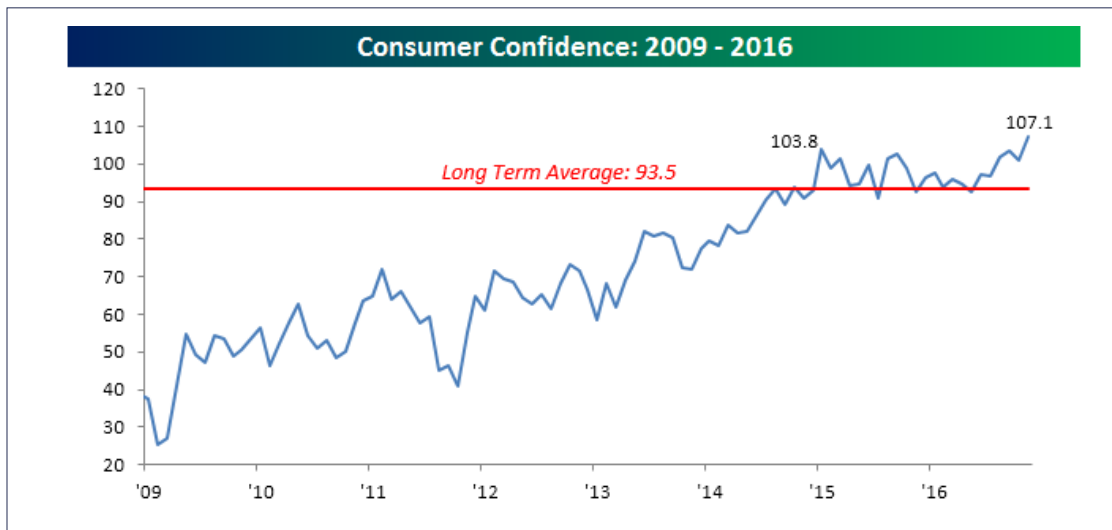
Market Recap

Earnings and Corporate Tax Reform



Source: Goldman Sachs

Consumer Confidence Reaches New Heights



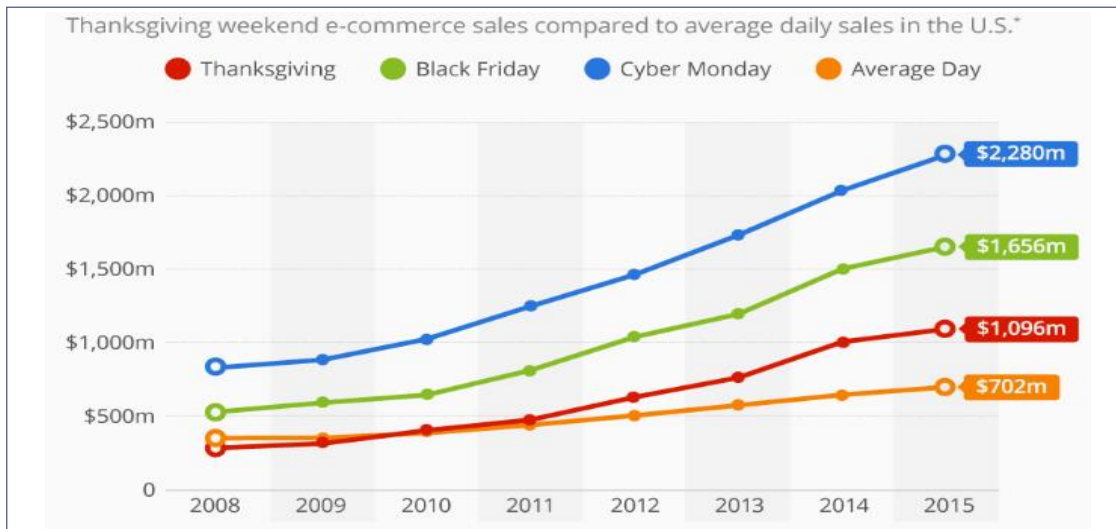
Source: Bespoke Investment Group

The current U.S. Corporate Statutory Tax Rate of 35% ranks highest among all major developed nations, even though deductions and tax credits reduce today's Effective Tax Rate of the S&P 500 Index to 26%. Given that tax reform has been touted as a priority by Congress and the incoming Administration, it is worth examining the effect these proposed reforms may have upon earnings. The two most prominent proposals call for a drop in the statutory rate from 35% to 20%, or even 15%. While these plans would, at the same time, narrow any discrepancy between the statutory and effective rates, the proposed tax cuts would, nonetheless, have a materially positive impact upon earnings. Using the current effective rate of 26% as the base case, moving to a 20% rate would drive S&P 500 Earnings from \$116 to \$125. This scenario boosts EPS growth from an estimated 10% to 19% when measured against 2016 S&P earnings. Optimism around the potential for such reform has in part driven the market higher since election day.

Consumer Confidence increased dramatically in November to 107.1, beating estimates of 101.5, and comparing favorably against a revised October reading of 100.8. This is the highest reading since the Financial Crisis, and sits well above the long-term average of 93.5. Digging deeper into the numbers, it appears lower-income consumers have predominantly driven the increase over the last few months, a very positive development for the consumer economy given that a high percentage of consumers fall within that income level. This stands in contrast to the long-term trend (from 2009 through 2015, Confidence of consumers with income above \$50k rose significantly faster than Confidence of consumers earning less than \$50k). In November's reading, while high-income Consumer Confidence remained below the high set in March 2015, low-income Confidence reached a new cycle high.

Market Recap

Thanksgiving E-Commerce Spending In Perspective



Source: ComScore and Statista

The Thanksgiving weekend is one of the busiest times of year for retailers, and marks the de facto kickoff of the holiday shopping season. The weekend shopping spree also highlights one of the biggest secular shifts in the U.S. consumer landscape, the growth of e-commerce. Online sales have consistently gained share from bricks and mortar as consumers increasingly prefer to by-pass hectic store lines and instead shop from the convenience of their couch. In fact, recent surveys indicate that online purchases this year may surpass traditional store traffic for the first time. Overall U.S. e-commerce sales are expected to grow +15% year-over-year in 2016, well ahead of overall retail sales (excluding autos and gasoline) which are up a meager 4-5%. Further, e-commerce sales now represent 14% of core retail sales versus just 5% one year ago.

Where Wages Stretch The Furthest

Biggest and smallest paychecks, after cost-of-living adjustment

Average weekly wages in the third quarter of 2015, by metro area, adjusted by regional price parities

Highest weekly wages

San Jose-Sunnyvale-Santa Clara, CA	\$1,706
California-Lexington Park, MD	1,277
San Francisco-Oakland-Hayward, CA	1,244
Seattle-Tacoma-Bellevue, WA	1,227
Midland, TX	1,190
Durham-Chapel Hill, NC	1,179
Houston-The Woodlands-Sugar Land, TX	1,170
Bridgeport-Stamford-Norwalk, CT	1,164
Boston-Cambridge-Newton, MA-NH	1,161
Huntsville, AL	1,127

Lowest weekly wages

Ocean City, NJ	\$590
St. George, UT	655
Jacksonville, NC	660
Myrtle Beach-Conway-North Myrtle Beach, SC-NC	665
Punta Gorda, FL	690
Daphne-Fairhope-Foley, AL	698
Grants Pass, OR	699
Logan, UT-ID	709
Wenatchee, WA	709
Yakima, WA	712

Note: Adjustments based on 2013 regional price parities published by the Bureau of Economic Analysis.

Source: Pew Research Center analysis of Bureau of Labor Statistics data, retrieved May 2016.

Source: Pew Research Center

Where do workers get the most bang for their buck? Interestingly enough, the average worker in a small Maryland community (California-Lexington Park) anchored by a naval air station and several tech companies, wields more purchasing power (after factoring in the local cost of living) than the average worker in the San Francisco Bay area. In nearby Silicon Valley (San Jose-Sunnyvale-Santa Clara, CA), however, the average salary is so high that it can withstand the area's exorbitant cost of living, affording its residents the highest adjusted average wage in the country (\$1,706 per week) by far. Other cost-effective cities include the greater Seattle, Houston, and Boston areas, which balance strong average wages with a reasonable cost of living. Contrastingly, in Ocean City, NJ, tourism inflates prices, eroding the value of the locals' already-low average income, resulting in the nation's lowest adjusted weekly wage (\$590).

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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