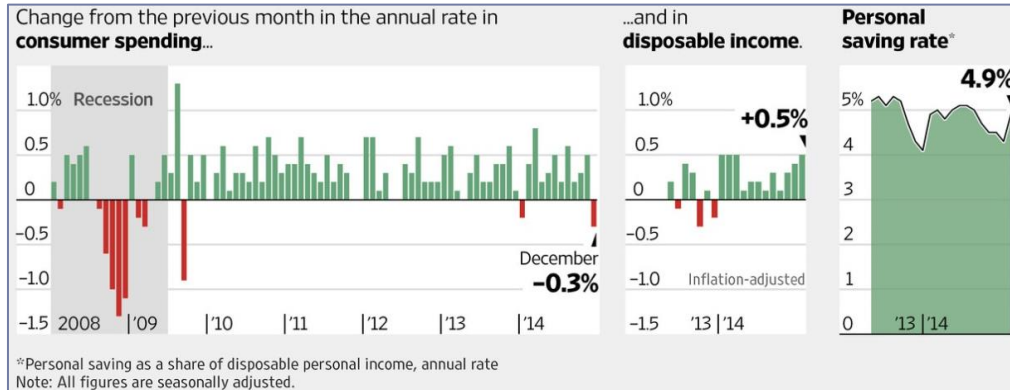


# Market Recap

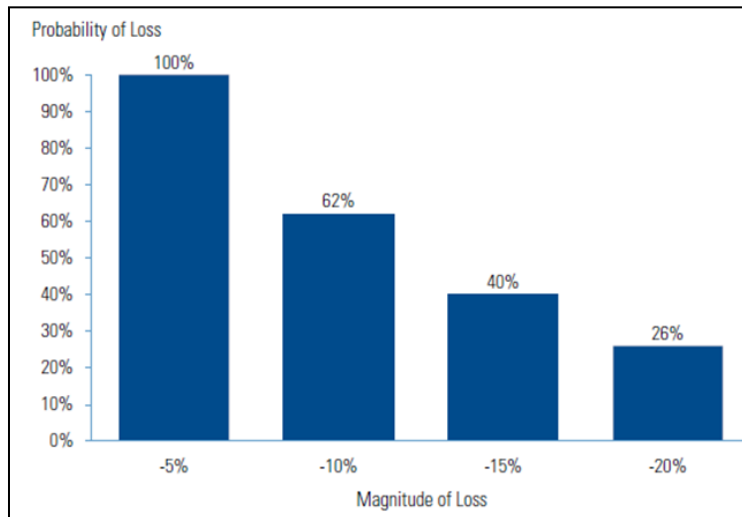
## Trends in Consumer Spending



Source: Commerce Department; WSJ

Americans are spending less and saving more according to recent data. In December, consumer spending decreased 0.3%, which is the first decline since January 2014, and the largest decline in five years. In addition, the savings rate increased to 4.9% from 4.3% the previous month, equating to \$75 billion in savings. Economists had expected that the recent drop in oil prices, together with higher employment levels, would instead drive spending higher. TD Securities estimates that the decline in gas prices translates to \$130 billion in potential savings to the U.S. consumer. Providing further support, U.S. employers added 2.95 million jobs last year. Consumer spending represents 70% of economic activity in the U.S. and is, therefore, a critical driver of economic growth. While increased spending may not be evident yet, it is hoped that the U.S. consumer will both save and spend more in 2015.

## Probability of Loss when S&P 500 Valuation Levels are High

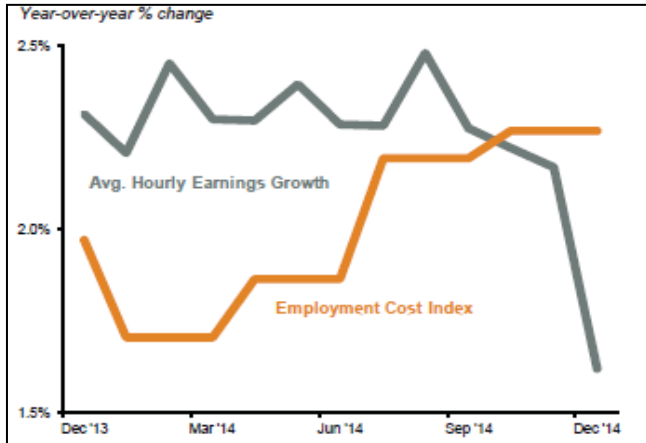


Source: Bloomberg

After six-plus years of U.S. stock outperformance, the valuations of many U.S. equities have reached upper limits. Based on a statistical composite of various price-to-earnings measurements, equity valuations today rank in the 9th decile. While some would suggest underweighting equities at these levels, it should be noted that annualized five-year price returns when valuations are in the 90th percentile have averaged 5%, and have been positive 63% of the time. At the same time, high volatility also tends to be the norm when the market trades at such lofty levels. There is significant dispersion of returns, and the probability of loss is much greater at higher valuation levels. If loss is defined as a peak-to-trough downdraft during the year, the probability of a 5% loss is 100% within the 9th or 10th deciles; the probability of a 10% loss is 62%. Investors, who have enjoyed an upward-trending market for a long time, may see a period of greater resistance going forward.

# Market Recap

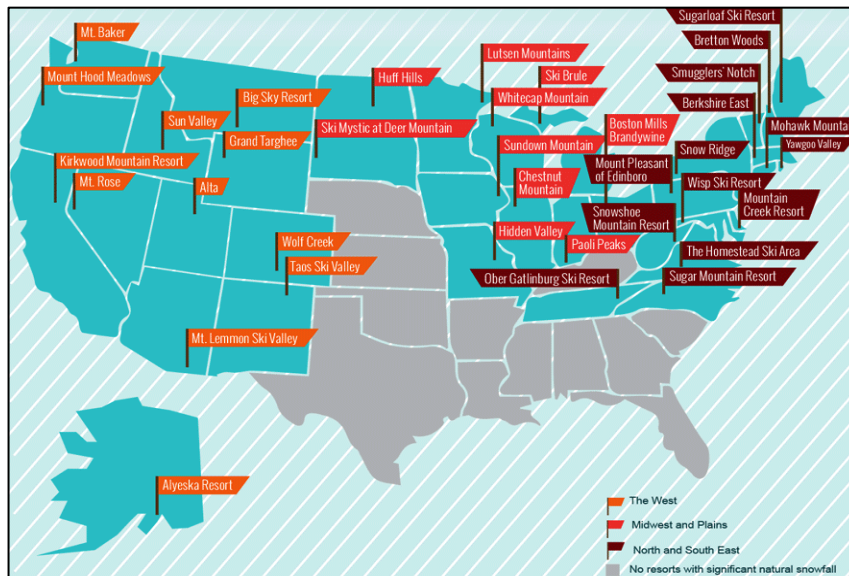
## Measures of Wage Growth



Source: BLS; J.P. Morgan

Despite steady employment gains in 2014, wage growth remains sluggish. The Employment Cost Index (ECI), which measures total compensation (wages and benefits), increased 0.6% in the fourth quarter of 2014. At the same time, the average hourly wage growth fell, indicating that new job creation was skewed towards younger and less-qualified workers entering the workforce at a lower hourly rate. The ECI is adjusted for these rate differentials, reflecting true growth since the second quarter of last year. This data may play an important role in the Federal Reserve's consideration of the timing of increasing interest rates. The FOMC has made it clear that sustained wage growth is one factor being watched, and, if employment is strengthening, we may see the Fed raise rates this summer after all.

## Mapping Every State's Snowiest Ski Resort



Source: ski.curbed.com

This week, the Groundhog saw his shadow which means that we will face six more weeks of winter. So, it's time to dust off the skis and make the best of it. As you begin your search for the powder, here is a handy chart that shows which resort in each state averages the most natural snowfall each year. As is expected, the resort with the greatest snow totals is Alyeska in Alaska, receiving an average of 735 inches of snow per year. This is in contrast to the resort that receives the least which is North Carolina's Sugar Mountain Resort (23 inches per year on average). Notable Mid-Atlantic resorts include The Homestead in Virginia with 50 inches, Wisp in Maryland with 100 inches, and Snowshoe in West Virginia with 161 inches. Can you find your favorite ski destination on the map?

**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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