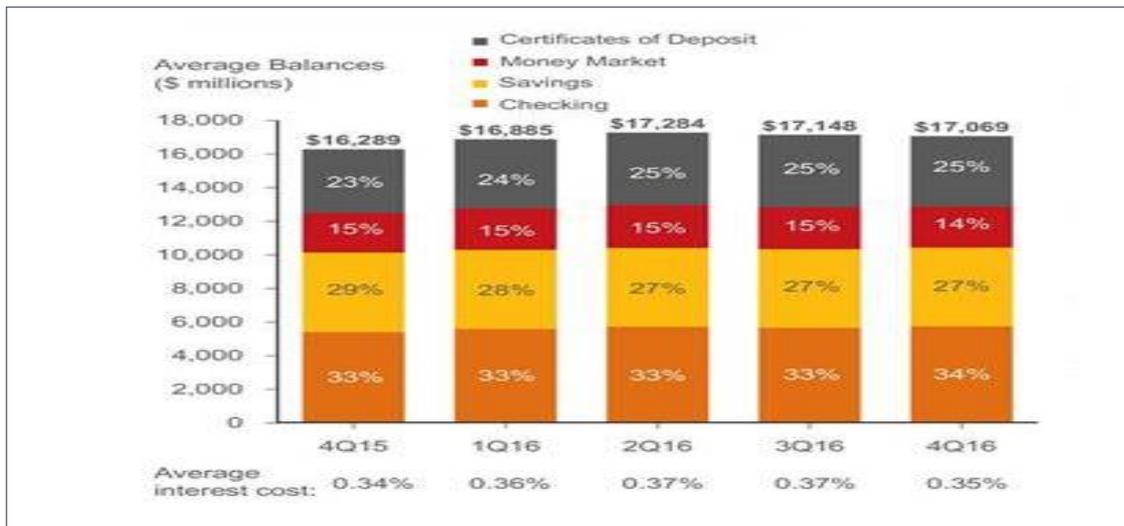


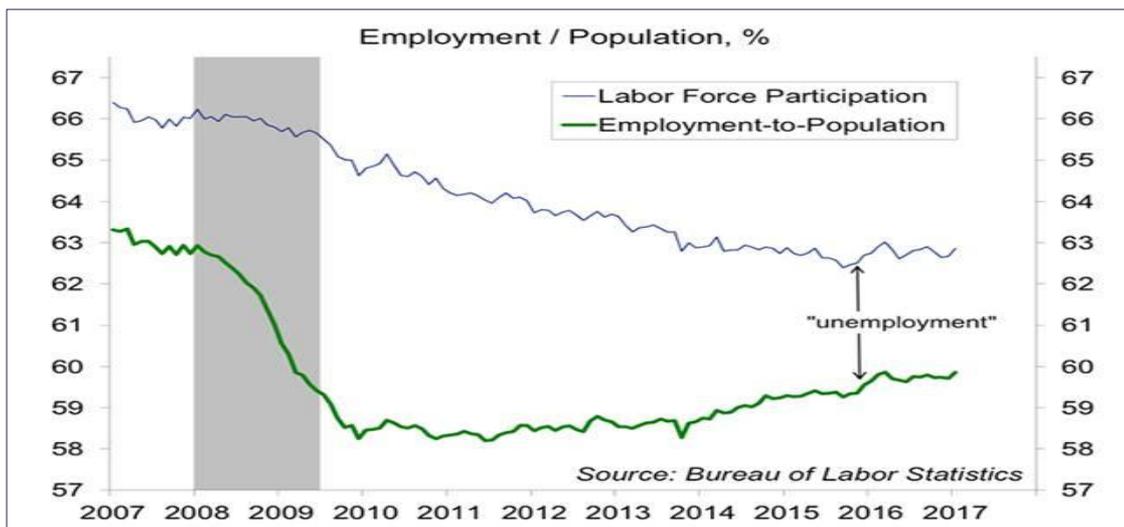
Market Recap

Rising Investor Cash Balances



Source: TCF Financial Corporation

Tightening Labor Markets



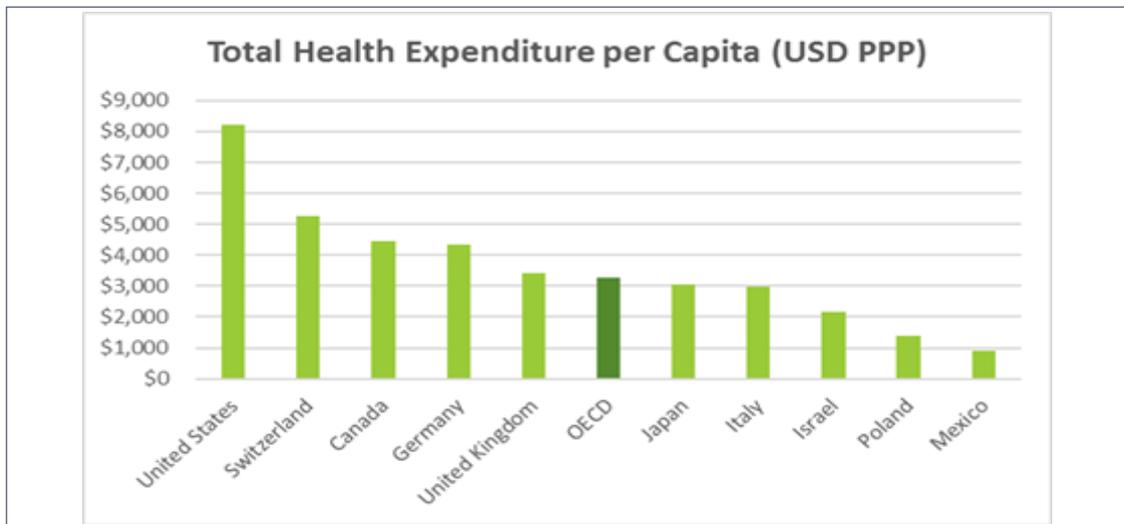
Source: Raymond James, Bureau of Labor Statistics

Cash deposit balances grew over the past year, ending calendar year 2016 4.6% higher than at end-2015. When aggregate money market, savings, and checking account balances are relatively high, retail investors have dry powder which may be deployed into equity and fixed income investments, if they so choose. Given that bond yields and money market interest rates remain near record lows, and that the proposed rate hike regime is poised to threaten bond valuations on a going-forward basis, one can argue that the best place for incremental cash balances may be in the stock market. While the equity market has risen significantly since the November Presidential election, prompting worries that valuations may be stretched or that a drawdown is on the horizon, continually positive economic data and any progress on pro-growth policy implementation is likely to be met with further inflows to equity markets given the high levels of cash still on the sidelines.

Many bearish forecasters have pointed to rising interest rates as the most prominent factor weighing on medium-term economic growth, but, in truth, the tightening jobs market may serve to put greater downward pressure on the current business cycle. Following steady gains since unemployment rates peaked at 10% during the 2008-09 recession, employment growth is now decelerating as the U.S. economy approaches full employment. In keeping with normal late-cycle dynamics, tighter labor markets have driven an acceleration in wage growth. While higher wages are seemingly a tailwind to consumer spending, they also translate into increases in the inflation rate as higher production costs (i.e. higher wages) are passed on to consumers via higher prices.

Market Recap

Healthcare Reform – A Work in Progress



Source: OECD Health Data 2012, Congressional Budget Office

The Value of Sleep



Source: RAND Europe

Over the past several weeks there has been much discussion about the details and potential impact of the American Health Care Act, the Republican bill that would replace the Affordable Health Care Act. The winners and losers of this bill are debatable, but one clear goal is to achieve lower costs which have continued to balloon and dwarf health care costs in other developed countries. Based on CBO projections, the proposal would lower costs within the total health care system by almost \$70 billion by 2020. While members of Congress are sure to wrangle over many aspects of the bill, most agree that health care reform remains a pressing need – per the National Health Expenditure Accounts, spending on U.S. health care reached \$3.2 trillion (17.8% of GDP) in 2015, and, since 2012, has remained at more than 2.5x the OECD per-capita average.

Modern society's obsession with productivity has, ironically, resulted in significant economic inefficiencies. Factors such as stress, excessive screen time, and a sedentary lifestyle adversely affect sleep quality, leading to sleep deprivation among more than one-third of American adults. The resultant drag on workplace productivity culminates in a loss of approximately 1.2 billion working days in the U.S. each year, costing the national economy up to \$411 billion annually, or 2.28% of GDP. Researchers found that the U.S. economy could generate an additional \$226.4 billion each year if those sleep-deprived Americans increased their sleep duration to between six and seven hours per night. In addition to its economic benefits, getting between seven and nine hours of sleep per night can reduce one's mortality risk by up to 13%, along with other significant improvements to mental and physical health.

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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