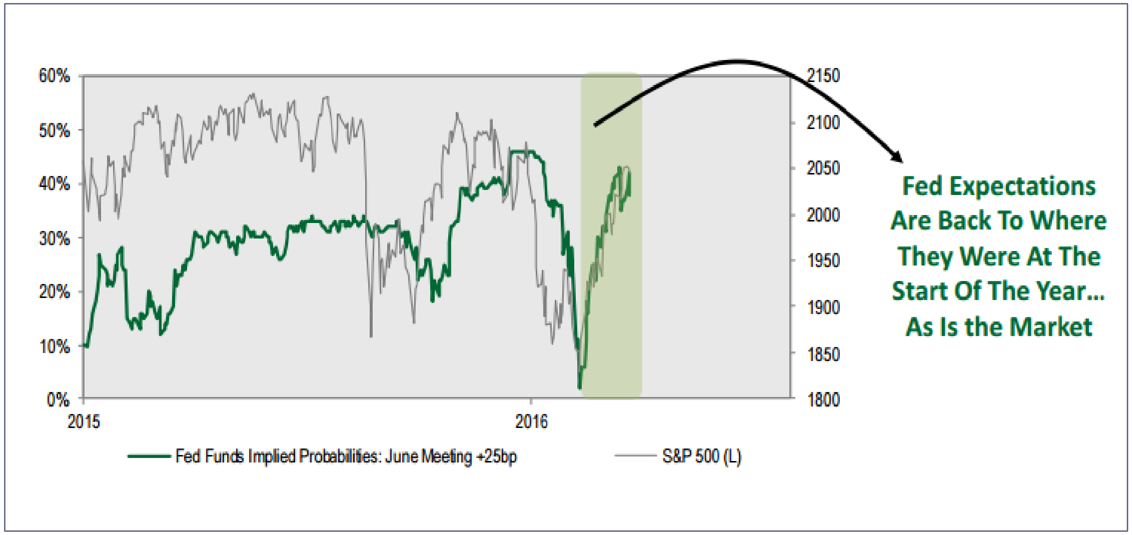
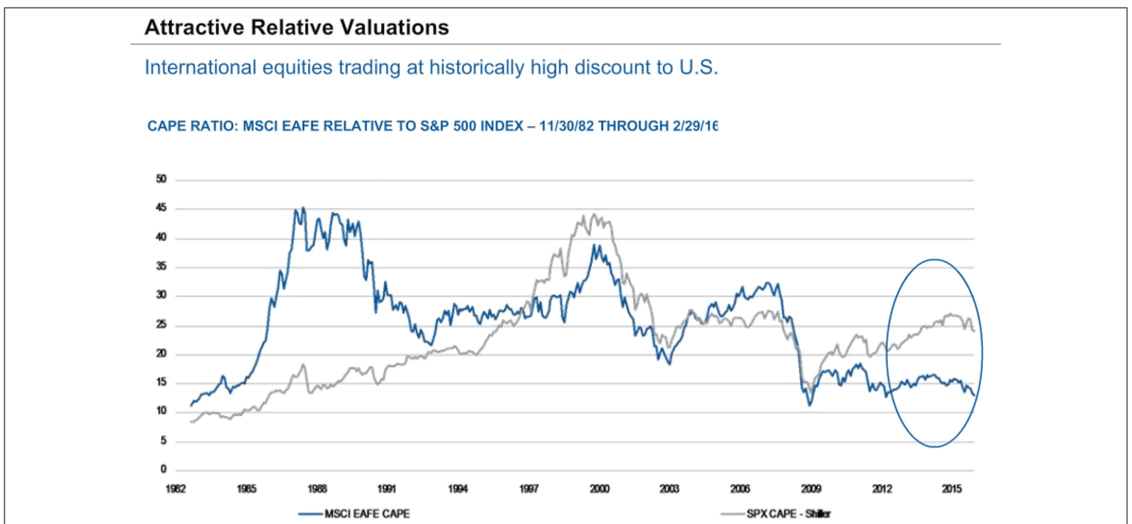
Market Recap

Is the Fed Really Driving the Market?



Source: Cornerstone Macro

European Stocks Look Attractive on Relative Valuations



Source: EvercoreISI

The S&P 500 has rallied off yearly lows hit in early February to reach year-to-date highs this week. Popular explanations behind this recovery include 1) traders covering short positions, and 2) the path of lower-for-longer interest rates charted by the Federal Reserve. While a fair amount of short covering has indeed contributed to the bounce, the Fed's decisions to hold off on rate hikes was not as impactful as suggested. The current trend seems to be that, as we receive improving data, both the market, as well as interest rate hike expectations, have moved higher. This contrasts previous market reactions and makes sense – Fed expectations should increase as economic data improves, and improving data has served to allay domestic recession fears that plagued the market during January and February.

U.S. Equities have significantly outperformed European and International equities over the past year, despite the fact that both have posted negative returns for the period (c. -1% vs. -13%). Reasons for this divergence are many, including fears of a banking sector collapse in Europe, slowing growth, and headline risks ranging from Grexit to the refugee crisis and a number of terrorist attacks. Providing some support for a turnaround is the fact that the large scale central bank stimulus program recently implemented in Europe is in a much earlier phase than the program the Federal Reserve undertook several years ago. We've seen the positive effect that such stimulus has had on U.S. markets since the recession. Given the historically low relative valuations of International equities, this could well be an area of the market primed to deliver outperformance going forward.

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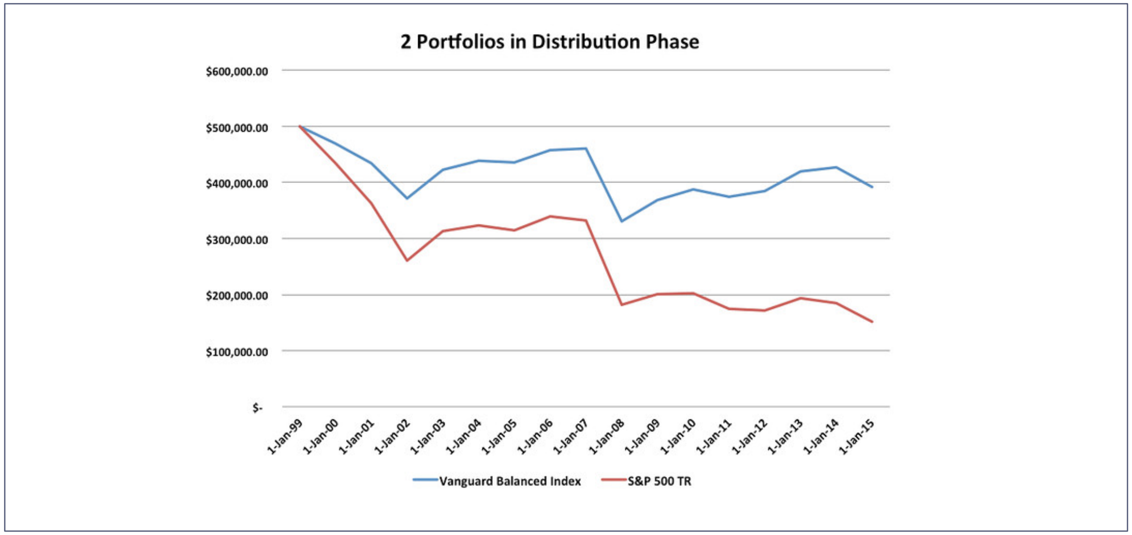
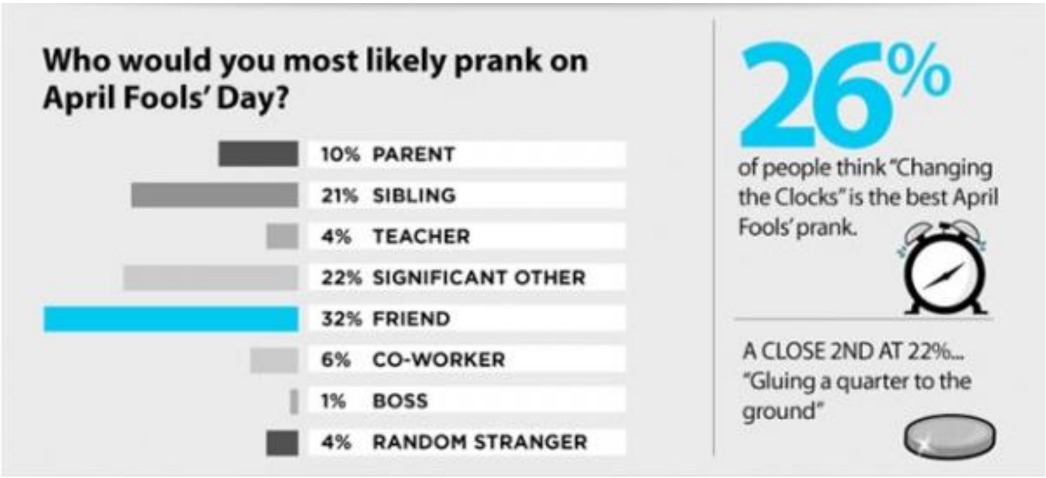
Balancing Portfolio Risk in Retirement



Source: MarketWatch

Stocks have outperformed all other investment vehicles over almost all 30-year rolling periods. The risk premium (higher on stocks than bonds or cash) dictates that one should earn higher returns, on average, for owning investments with a higher level of risk. Withstanding the higher volatility associated with an equity-heavy portfolio during one's savings years should result in greater capital appreciation over the long run. However, overweighting equities in retirement can spell disaster during a time when the investments are being depleted and a shorter time horizon offers less opportunity for recovery in case of a downturn. An investor retiring in 2000 who withdrew 4% in year one of retirement, followed by withdrawals increasing by 4% of account value each passing year, has greater success weathering market shocks with a balanced (e.g. Vanguard Balanced 60/40 Index) portfolio than with an all stock (e.g. S&P 500 TR) portfolio. This is particularly true when market losses occur in the early years of retirement.

April Fools' Day Fun



Source: Lab42

Don't believe everything you hear – especially on April 1. With corporations and media outlets – Google, Amazon, The BBC, and NPR, to name a few – joining in the fun with their own pranks each year, it can be hard to discern what, if anything, can be trusted on April Fools' Day. Some gags, like "Microsoft Office for Cats" and SunLife's "beard insurance," are easy to spot. Others, such as Motorola's "handcrafted selfie stick" and Jimmy John's "drone delivery," are almost believable in this day and age. Pranks among individuals are usually much less elaborate. One poll ranks "changing the clocks" as the most popular hoax, followed by "gluing a quarter to the ground." Friends, siblings, and significant others are the most likely April Fools targets, while bosses can breathe a sigh of relief, as pranksters would rather target a complete stranger than their own boss.

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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