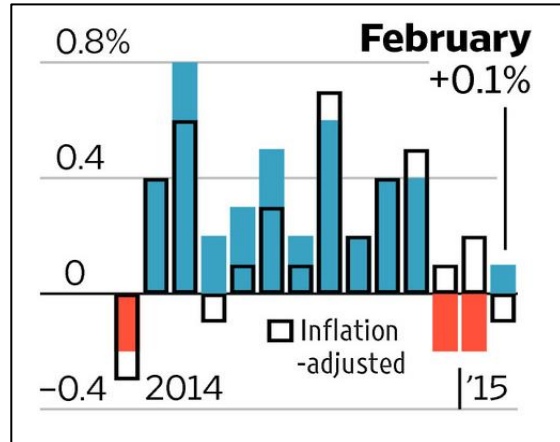


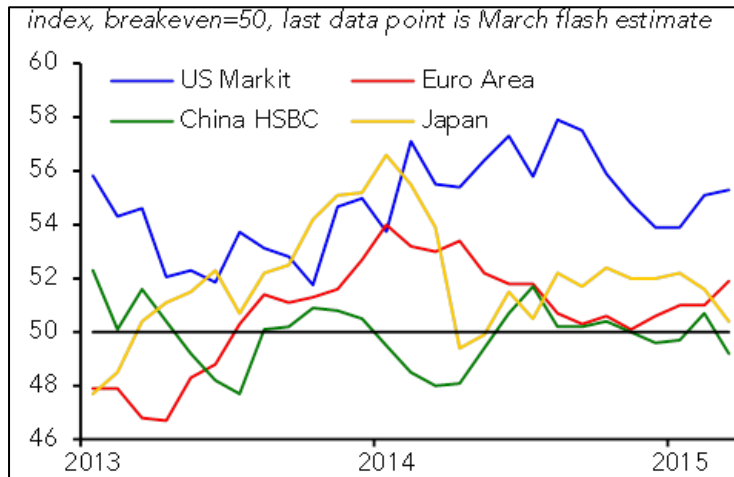
# Market Recap

## Monthly Change in Consumer Spending



Source: WSJ

## Manufacturing PMI Readings



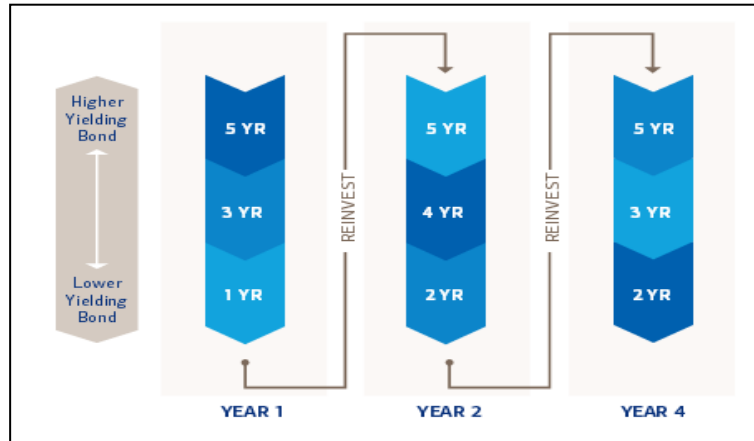
Source: Markit

While consumer spending posted marginally positive (.1%) increases in February, the inflation-adjusted change for the indicator was actually negative for the first time in 10 months. In prior months, adjustments for inflation had had the opposite effect (turning negative increases in spending in December and January to the positive). Also in February, despite a .4% increase in personal income, consumers seem inclined to save their money rather than spend it, driving the savings rate to 5.8%. Given low inflation, positive consumer confidence, and falling unemployment, many are puzzled as to why the consumer continues to save instead of spend. Many economists blame freezing cold temps and heavy snows for the decline in spending, and expect that rationale to be featured prominently when first quarter numbers are released. A similar trend last winter was quickly reversed once spring weather arrived, ushering in strong consumer spending. Changes in both inflation and consumer spending will be considerations in the Fed's decision to increase interest rates.

Manufacturing PMI (Purchasing Managers Index) is an important sentiment reading as it typically foreshadows future economic activity. After ticking lower during the last quarter of 2014, the March U.S. PMI rose to a five-month high, supported by strengthening rates of expansion in both production and new orders. The sudden uptick in PMI suggests that GDP growth, likewise, could rise during the second half of the year. Of note is a similar improvement in the Euro Area, with the PMI rising to a ten-month high. Offsetting the positive PMI data were marked falls in both the Chinese and Japanese readings, with the China PMI falling again below the 50-mark (which indicates a decline in purchases). While the March PMI data highlights a divergence of activity around the globe, it also indicates that the Euro Area is now joining the U.S. as a driver of the expansion.

# Market Recap

## Bond Ladder



Source: Merrill Lynch

## Hourly Cost of Baby Sitters



Source: Care.com

A major consideration when investing in bonds during a period in which interest rates may be on the rise (e.g. when a Federal Reserve hike is a strong possibility), is that of being locked into low-yielding bonds that have fallen in price. One way to protect your bond portfolio in a rising interest rate environment is to ladder the portfolio with individual bonds. To do this properly, an investor should buy individual bonds with a range of maturities (e.g. from one to five or ten years). As the shorter-dated, lower-yielding bonds mature, the investor can redeploy the proceeds to buy new bonds at the then-current, higher rates. In addition to insulating the portfolio from rising interest rates, this type of bond strategy also provides liquidity. If you know of a liquidity need arising on a future date certain, you can purchase bonds that mature just prior to this date.

How much to pay a babysitter is a big question for parents. According to Care.com, sitter rates continue to rise and are up 28% in the last five years, from \$10.50 per hour in 2009 to \$13.44 per hour in 2014. Additionally, the amount may vary widely based on a number of factors including location, the sitter's education, and whether or not it is a holiday. Location plays a critical role since someone who lives in a big city expects to pay (and be paid) more than someone living in a more rural area. That being said, the most expensive city in which to hire a sitter this year is San Francisco, CA. A date night for San Franciscans will set a couple back \$16.65 an hour. A more affordable outing can be found in Grand Rapids, MI, where the going rate is \$11.31 an hour. If you hire a sitter on a holiday, the four most in-demand are Valentine's Day, New Year's Eve, Halloween, and St. Patrick's Day.

**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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