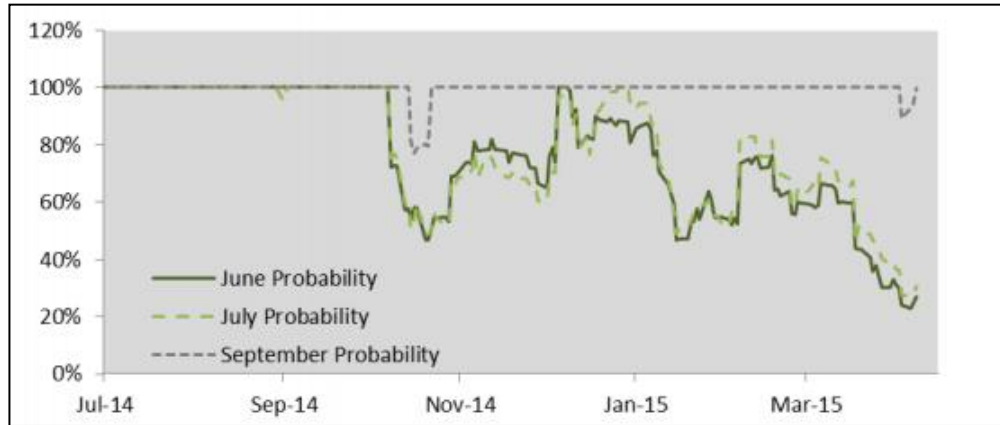


Market Recap

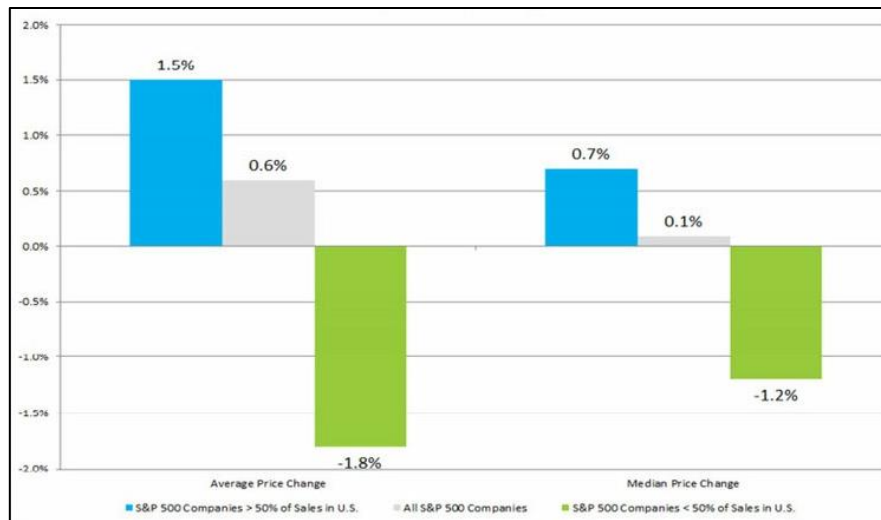
Probability of an Interest Rate Hike



Source: Cornerstone Macro, Bloomberg

Even though some of the most recent economic data has been less than stellar, it appears that a rise in interest rates is all but assured. It is no longer a question of “if” rates will rise, but “when” the Fed will raise short term interest rates. The majority of analysts believe the Fed will move sometime between June and September, with the latter date currently ahead in the polls. Based on current economic data, the markets have priced in a 100% probability of a move during the September meeting or earlier. However, any significant changes in the economy may serve to speed up or delay the rate hike. In addition to the timing, investors are curious about the pace of future increases. Currently, Fed Funds futures are pricing in two to three interest rate moves a year, however, many analysts believe they will tighten at a faster pace.

Global Exposure Impact on S&P 500 Stock Prices



Source: Factset

As global economic growth slows and the U.S. Dollar continues to appreciate against foreign currencies, analysts are concerned about the impact on stock prices of large multinational corporations. This combination of factors impacts both revenue and profitability as these companies repatriate foreign sales back into U.S. dollars. Since the start of the year, on average, the stocks within the S&P 500 have risen 0.6%. However, companies with significant sales outside the U.S. suffered in terms of stock performance compared to their U.S.-dependent peers. Companies deriving less than 50% of sales in the U.S. suffered a stock price decline of -1.8%, while those with a majority of sales in the U.S. rose 1.5%.

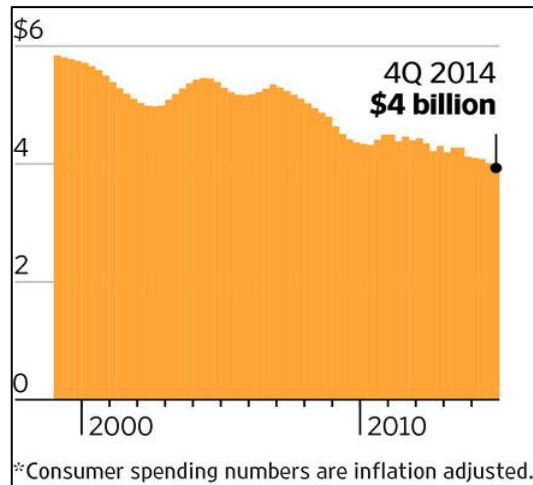
Market Recap

European Government Bond Yields



Source: Market Realist

Spending on Appliance Repair Services



Source: Commerce Department; WSJ

European Sovereign bonds continue to post record low - and in some cases, negative - yields. That means investors are actually paying for the ability to lend their money out in seven European countries. In their quest for yield, investors are looking to longer-dated bonds, in turn, putting pressure on the long end of the curve. The result is that Switzerland's 10-year bonds are now yielding -.20%, French bonds are yielding .35%, and German 10-year bonds are yielding .11%. Comparatively, the benchmark U.S. bonds which are yielding 1.88%. As a result, the European Central Bank (ECB) bond purchase program, initiated in March and designed to buy 60 billion EU of bonds each month until September of 2016 in order to stimulate economic growth and fend off deflation, has been called into question.

While prices of household appliances have remained flat over the last decade, the costs of repairing those appliances have increased 50%. This has contributed to an 11% decline in spending on appliance repair from 2009 to 2015 as consumers increasingly opt to replace their broken appliances or turn to the internet to fix the appliances themselves. Consumer Reports magazine found that almost one-third of people whose appliances were not under warranty have fixed an appliance themselves. They have identified online sites that help them diagnose the problem, and subsequently sell them the parts to fix it. As a result, the number of men and women in the appliance repair business has fallen 23% since 2005.

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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