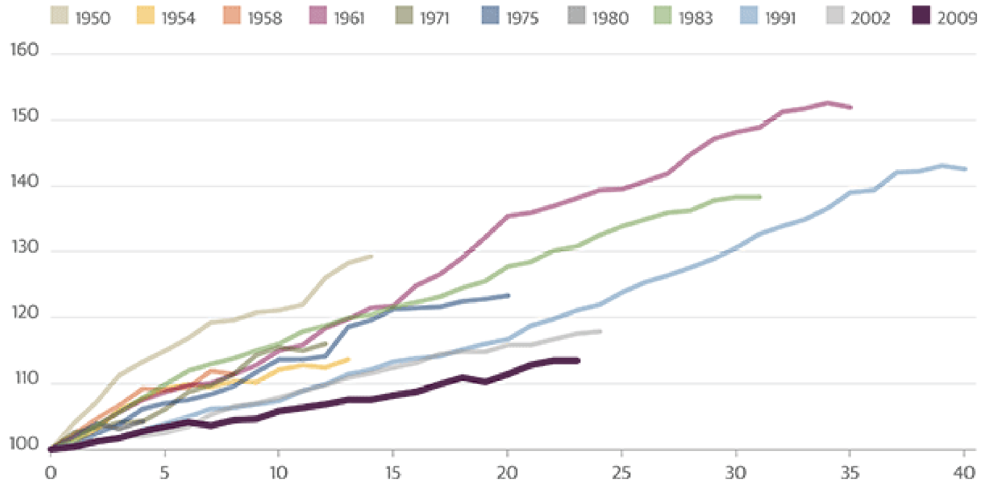
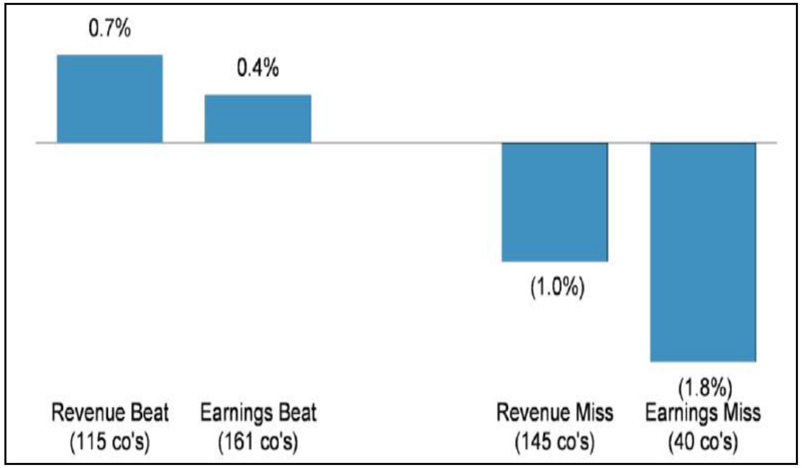
Market Recap

Real GDP in Economic Expansions



Source: Guggenheim Partners

Stocks Get Punished for Missing Earnings



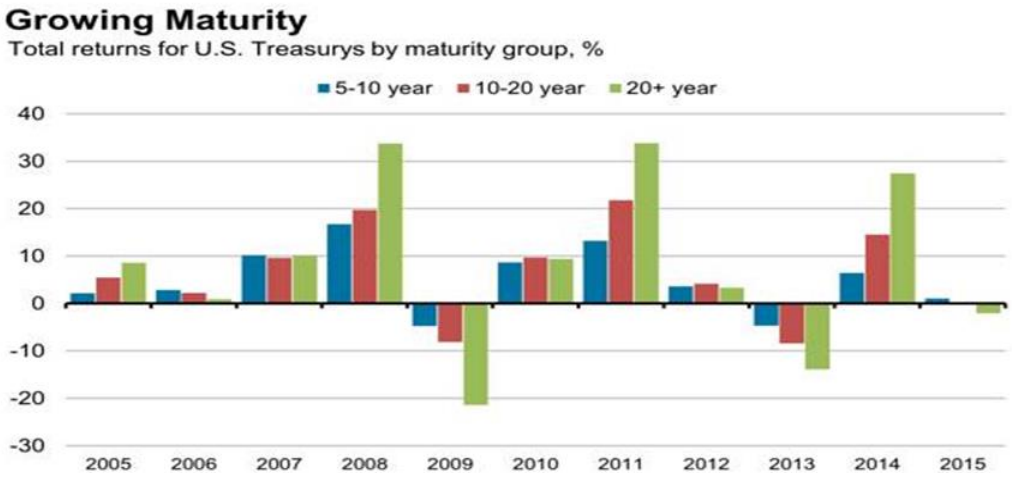
Source: Morgan Stanley

The current economic expansion – begun in 2009 - has now exceeded 70 months, well beyond the historical average cycle of 57 months. Further, many are concerned that the expected Federal Reserve interest rate hike in September will signal the end of the current GDP cycle. However, there are reasons for continued optimism among investors. The last three expansion cycles averaged 94 months, indicating a new trend in expansion duration. In addition, this time, growth has been incredibly slow, which may provide additional upside potential for this point in the recovery. Lastly, the last 13 cycles support the fact that the lead up to, and the first year after, the start of a Fed tightening has been good for equities. Historically, the year leading up to the first rate increase has returned 16.4%, and the year after has returned 4.5%. This suggests that, while the highest returns may be behind us, it is reasonable to expect positive returns ahead.

This earnings season, the market is looking very closely at companies' earnings releases and guidance for future periods, and the consequences are high. The penalty for missing on earnings and revenue estimates is significantly greater than the reward for beating the estimate. Additionally, companies that issue guidance which is higher than expected are being rewarded, while at the same time, those missing guidance expectations are being punished. On average, companies that have beaten their earnings estimates have done well and are up .4% this year, while companies missing their estimates have been disproportionately punished and are down 1.8%. On the revenue side, companies that have beaten revenue estimates have outperformed the rest of the market by .7% while those that have missed have experienced stock price hits of 1.0%.

Market Recap

Long-Dated Bonds May Suffer in 2015



Source: WSJ

2014 was a banner year for bond investors as bond prices rose and yields fell, leading investors to load up on longer-dated bonds in order to capture a higher yield. The longer the maturity, the better the total return was in 2014, as bonds maturing in 20 years or more posted an average total return of 27.5%, while bonds that matured between five and 10 years reported total returns averaging 6.4%. This highlights the effect of duration on a bond portfolio. Duration measures the sensitivity of a bond's price to small changes in interest rates. Bonds with higher durations usually see bigger price moves than those with lower durations when yields change. Unfortunately, this principle also works in reverse . Accordingly, with interest rates expected to rise in the near future, a bond portfolio with a higher duration and longer maturity will suffer more than a portfolio with a lower duration.

Paving Paradise for a Parking Lot

Source: Vox.com

Brazil spent close to $3 billion building and refurbishing the 12 stadiums used to host the 2014 FIFA World Cup, justifying the expense with promises that the taxpayer-funded venues would continue to generate revenue in the years following the main event. Unfortunately, several of these stadiums—including Brasilia's $900 Million, 72,000 seat venue—were built in cities that only support small, minor-league professional teams and, thus, struggle to draw large crowds. That same stadium in Brasilia is now used as a municipal bus parking lot. Unfortunately, the situation seems likely to repeat itself in the coming years—Brazil is currently making preparations to host the 2016 Summer Olympics in Rio de Janeiro, with projected costs approaching $13.2 Billion. To paraphrase Joni Mitchell, it appears the Brazilian government literally paved paradise just to put up a parking lot.

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.

Disclosure: Harbour Capital Advisors, LLC ("HCA") is an SEC-registered investment adviser located in McLean, Virginia. HCA and its representatives are in compliance with the current filing requirements imposed upon SEC-registered investment advisers by those states in which HCA maintains clients. HCA may only transact business in those states in which it is registered or qualifies for an exemption or exclusion from registration requirements. A direct communication by HCA with a prospective client shall be conducted by a representative that is either registered or qualifies for an exemption or exclusion from registration in the state where the prospective client resides. For information pertaining to the registration status of HCA, please contact the SEC or the state securities regulators for those states in which HCA maintains a notice filing. A copy of HCA's current written disclosure statement discussing HCA's business operations, services, and fees is available from HCA upon written request. HCA does not make any representations or warranties as to the accuracy, timeliness, suitability, completeness, or relevance of any information prepared by any unaffiliated third party and takes no responsibility therefor. All such information is provided solely for convenience purposes only and all users thereof should be guided accordingly. Past performance may not be indicative of future results. Therefore, there can be no assurance (and no current or prospective client should assume) that future performance of any specific investment or investment strategy (including the investments and/or investment strategies recommended or undertaken by HCA) made reference to directly or indirectly by HCA will (i) be suitable or profitable for a client or prospective client's investment portfolio or (ii) equal the corresponding indicated historical performance level(s). Different types of investments involve varying degrees of risk. Historical performance results for investment indices and/or categories generally do not reflect the deduction of transaction and/or custodial charges, the deduction of an investment management fee, or the impact of taxes, the incurrence of which would have the effect of decreasing historical performance results. The material contained herein is provided for informational purposes only and does not constitute an offer to buy or sell or a solicitation of an offer to buy or sell any option or any other security or other financial instruments. Certain content provided herein may contain a discussion of, and/or provide access to, HCA's (and those of other investment and non-investment professionals) positions and/or recommendations as of a specific prior date. Due to various factors, including changing market conditions, such discussion may no longer be reflective of current position(s) and/or recommendation(s). Moreover, no client or prospective client should assume that any such discussion serves as the receipt of, or a substitute for, personalized advice from HCA, or from any other investment professional. HCA is neither an attorney nor an accountant, and no portion of the content provided herein should be interpreted as legal, accounting, or tax advice. The tax information contained herein is general in nature and is provided for informational purposes only. HCA does not provide legal, tax, or accounting advice. HCA cannot guarantee that such information is accurate, complete, or timely. Laws of a particular state or laws which may be applicable to a particular situation may have an impact on the applicability, accuracy, or completeness of such information. Federal and state laws and regulations are complex and are subject to change. Changes in such laws and regulations may have a material impact on pre– and/or after–tax investment results. **CIRCULAR 230 DISCLOSURE: To comply with Treasury Department regulations, we inform you that, unless otherwise expressly indicated, any tax information contained herein is not intended or written to be used, and cannot be used, for the purpose of (i) avoiding penalties that may be imposed under the Internal Revenue Code or any other applicable tax law, or (ii) promoting, marketing, or recommending to another party any transaction, arrangement, or other matter.** Rankings and/or recognition by unaffiliated rating services and/or publications should not be construed by a client or prospective client as a guarantee that he/she will experience a certain level of results if HCA is engaged, or continues to be engaged, to provide investment advisory services, nor should it be construed as a current or past endorsement of HCA by any of its clients. Rankings published by magazines, and others, generally base their selections exclusively on information prepared and/or submitted by the recognized adviser.