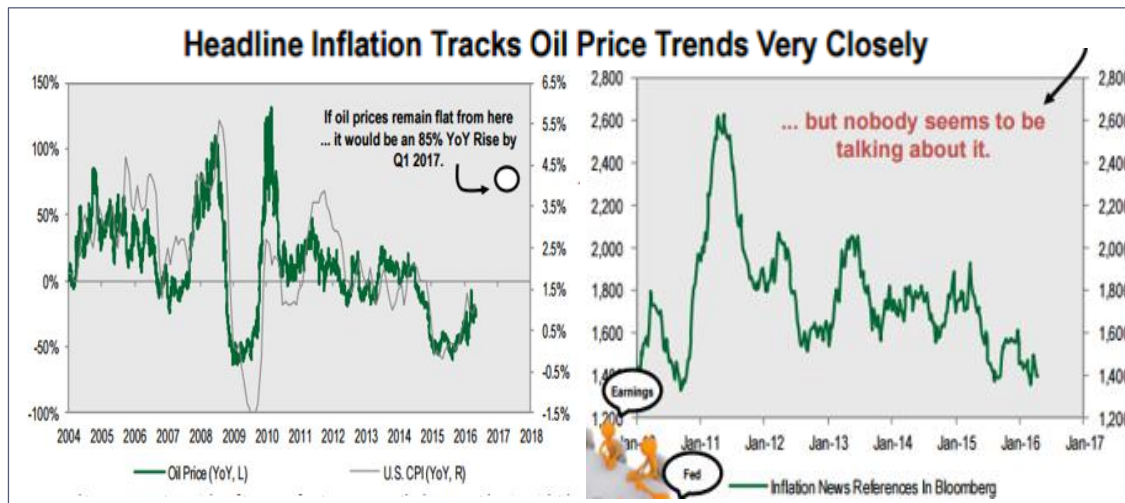


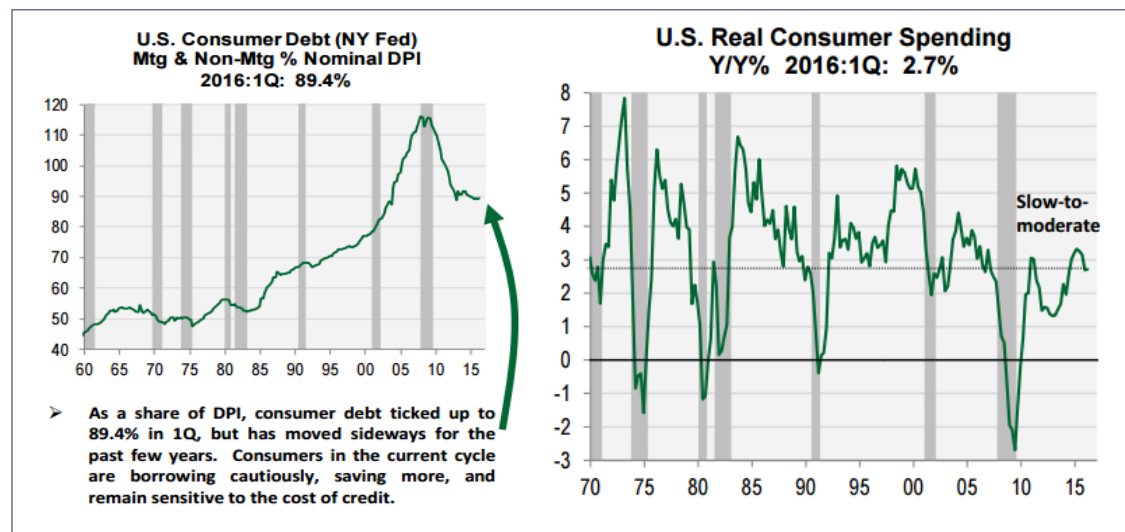
Market Recap

Future Inflation May be Greater Than We Expect



Source: Bloomberg

Decreasing Consumer Debt Behind Retail Misery



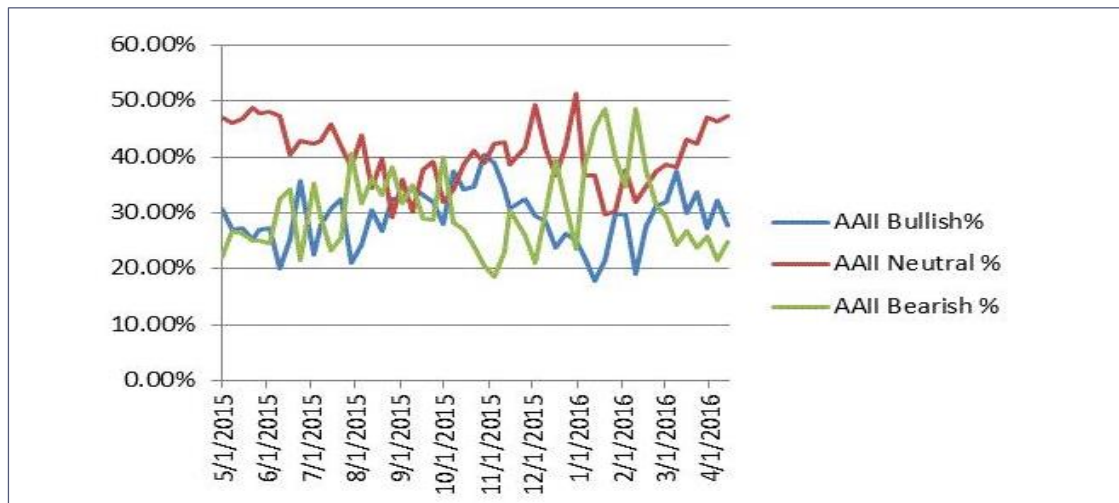
Source: FactSet

One of the key factors evaluated by the Fed in its decision-making regarding interest rate moves (timing, frequency, and absolute levels) is inflation. With CPI in most parts of the world currently hovering around zero, inflation has not been a topic of much concern in the news of late. However, as oil prices continue to rebound, odds of an upside inflation surprise likewise increase. While energy makes up less than 10% of the weight in headline CPI, the high nature of volatility in energy pricing actually means that moves in energy result in about 90% of variance in headline inflation. Present calculations indicate that, if oil ends the year at \$60 (representing a 100% increase year over year), this component of the headline CPI figure alone would add 2.25% to today's inflation figure. In prior statements, the Fed has signaled a "target" inflation rate of 2%. In the event that rising energy prices take CPI beyond that target level, however modestly, investors should not be surprised to see heightened focus on inflation by the Fed as it considers future rate announcements.

The retail segment of the S&P 500 has struggled mightily through the most recent reporting cycle, with the Retail Industry ETF dropping 4.3% against a 0.4% gain for the S&P 500 Index over the past month. A variety of factors have contributed to the rough patch, including both a migration to the convenience of online shopping and a demographic shift to a preference for 'experiences' over consumer goods. Further, on the heels of the mortgage crisis, we have witnessed a sustained decrease in consumer debt as a percentage of disposable income. Previous strong consumer spending cycles, from the 1970s through the 1990s, were supported by excessive debt growth (consumers spent beyond their means). However, today, the shift in psychology towards savings has manifested itself as a headwind to consumer spending and thus retail as a whole. On the bright side, slow-moderate consumer spending cycles limit excesses and delinquency rates and contribute to a more prolonged, steady expansion.

Market Recap

Investor Positioning Suggests Confusion



Source: EPFR Global

How Often Does Baseball's Pizza Promotion Pay Off?

TEAM	CONDITIONS	PROBABILITY
St Louis Cardinals	Win	52.9%
Pittsburgh Pirates	Win	52.0
Colorado Rockies	Win	48.6
Arizona Diamondbacks	Win	46.8
Seattle Mariners	4 runs	44.7
Philadelphia Phillies	Win	44.5
Milwaukee Brewers	Win	43.7
Baltimore Orioles	Win and 5 runs	43.6
Minnesota Twins	Win	42.9
LA Dodgers	Win and 5 runs	36.7
Kansas City Royals	Win and 5 runs	33.5
Chicago White Sox	5 runs	28.3
Cleveland Indians	5 runs	28.2
Miami Marlins	5 runs	24.4
San Diego Padres	5 runs	18.3
New York Yankees	6 runs	14.4
Washington Nationals	Win and 7 runs	13.8
Tampa Bay Rays	6 runs	12.1
Texas Rangers	7 runs	9.2
Houston Astros	Win on Tuesday	8.0
Atlanta Braves	6 runs	7.7

Source: Five Thirty Eight

The American Association of Individual Investors (AAII) Sentiment Survey measures the percentage of investors that see themselves as bullish, bearish, or neutral on the direction of broader stock market over the next 6 months. Current results show that 28% rate themselves as bullish, 25% as bearish, and 47% as neutral. Historically, such high levels of neutral positioning suggest a continuation of range bound trading. The generally low number of investors willing to take a strong position one way or another also suggests a certain amount of confusion within the market. Uncertainty over a number of risk factors including the pace of global growth, potential rate hikes, effect of the Brexit vote and the U.S. election all make it somewhat difficult for investors to take one side or the other, and this has certainly manifested itself in the poll results and the range bound trading we've seen for quite some time.

As the "official pizza" of 21 MLB franchises, Papa John's offers discounts to fans if their team fulfills certain criteria in any given game. Papa John's established different conditions for the individual clubs based on local market dynamics and each team's performance, meaning that some cities are more likely to qualify for the promotion than others. Unsurprisingly, the fans most likely to earn the discount are those whose team simply must win its game in order to qualify. The Washington Nationals face much steeper odds (13.8%), as they must win their game *and* score at least seven runs in order to trigger the deal. Less likely still, the Houston Astros are eligible only if they win on a Tuesday. Papa John's offers little consolation to fans of the struggling Atlanta Braves, who must score six runs in order to activate the discount – the odds of which are just 7.7% in any given game.

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. 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.