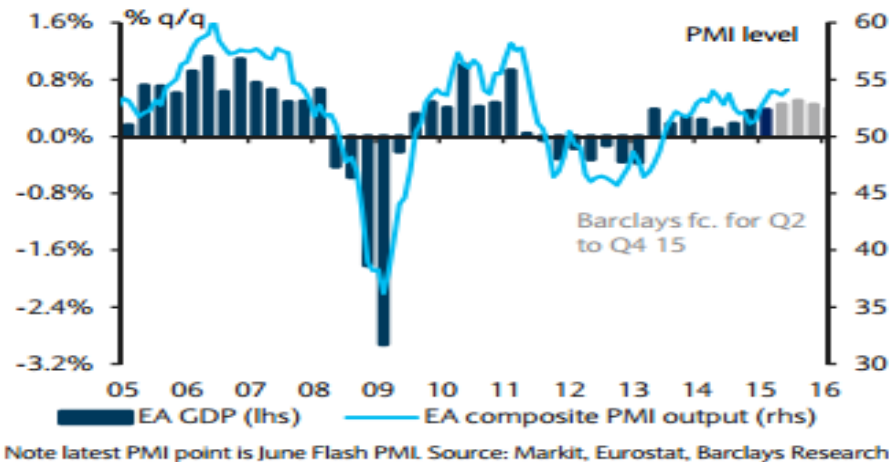


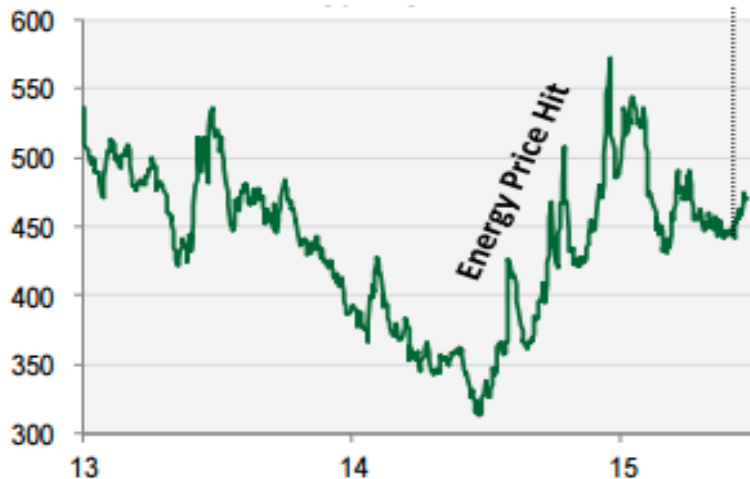
# Market Recap

## Projected Euro Area GDP and PMI



Source: Barclays Live

## High Yield Bond Spreads at Five Month High



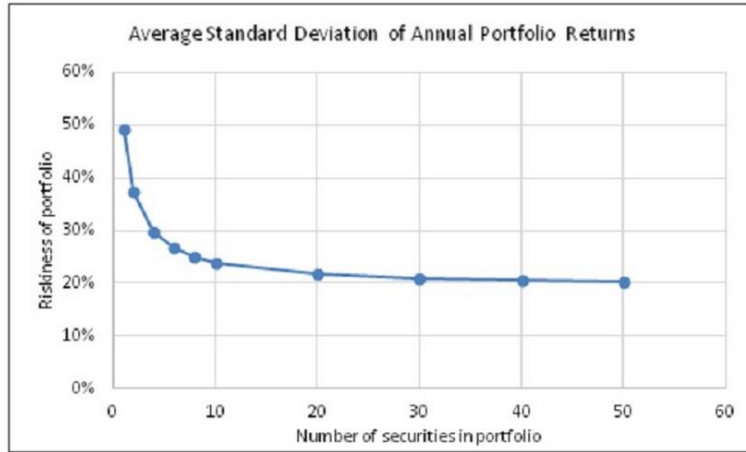
Source: Cornerstone Macro

There is evidence of a rebound in the Euro Area economy this year, as the ECB continues its economic stimulus plan and the outlook for global growth improves. This is highlighted in the Q1 GDP report which reflects quarterly growth of .4% (1.5% on an annual basis). While inflation appears to have bottomed, it is projected to remain low and not reach the ECB's 2% target any time soon. This uptick in economic data is attributed to a slight improvement in the labor market which, coupled with low inflation, drove both real disposable income and private consumption higher. It is important to note, however, that the economic improvement has not been uniform across Europe. Business confidence and economic data has been somewhat muted in Germany, while significantly improved in France, Italy, and Spain. Cautiously, therefore, GDP forecasts for the rest of 2015 for the region are slightly higher, but remain below 1%.

Investors pulled \$2.6 billion out of high yield corporate bonds during the first week of June as fears of an interest rate hike persisted. This was the largest weekly outflow from high yield investment vehicles since December 2014. As a result, the credit spread that investors pay over treasuries increased to a five-month high. As these spreads increase, so does the borrowing cost for corporations that issue this form of debt. Higher borrowing cost may be a headwind to capital spending and may also lead to greater numbers of credit defaults as companies struggle to meet larger interest payments. In the second half of 2014, high yield spreads widened dramatically, largely due to the decline in oil prices. With roughly 30% of high yield issuance sourced from energy firms, the fall in oil prices – and resulting reduction in cash flow – put pressure on high yield energy sector issuers.

# Market Recap

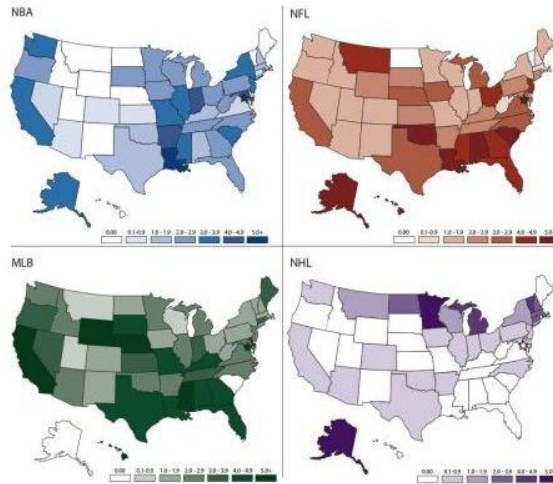
## The Benefits of Diversification



Source: Forbes

Diversification reduces risk across a broad portfolio by allocating investments among various financial instruments, industries, and categories. A well-diversified portfolio will also be invested across asset classes whose returns move in opposite directions—displaying low or negative correlations to one another. This can help protect an investor against large losses, as negative returns on some assets held within the portfolio may be mitigated by corresponding gains in other holdings. Risk is broadly defined as the standard deviation of returns seen over time, or how much any given yearly return is expected to deviate from the average return in a given year. Risk is generally placed in one of two categories: Systematic Risk (caused by changes to inflation, exchange rates, political instability, and interest rates) or Unsystematic Risk (caused by events specific to a company, industry, etc.). While diversification cannot eliminate Systematic Risk, it does help mitigate Unsystematic Risk.

## Where do Professional Athletes Learn to Play?



Source: Vox.com

American professional sports franchises represent cities, but the players who make up the rosters often have minimal ties to that city. This map shows us which states are producing the greatest number of athletes making it to the professional level on per capita basis. The Deep South holds a clear edge in production of NFL and MLB players, while Minnesota, Michigan, and New Hampshire, somewhat predictably, are home to the highest number of future NHL players. On the whole, Louisiana produces the highest number of professional athletes per capita, boasting a pipeline of top notch football, basketball, and baseball talent.

**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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