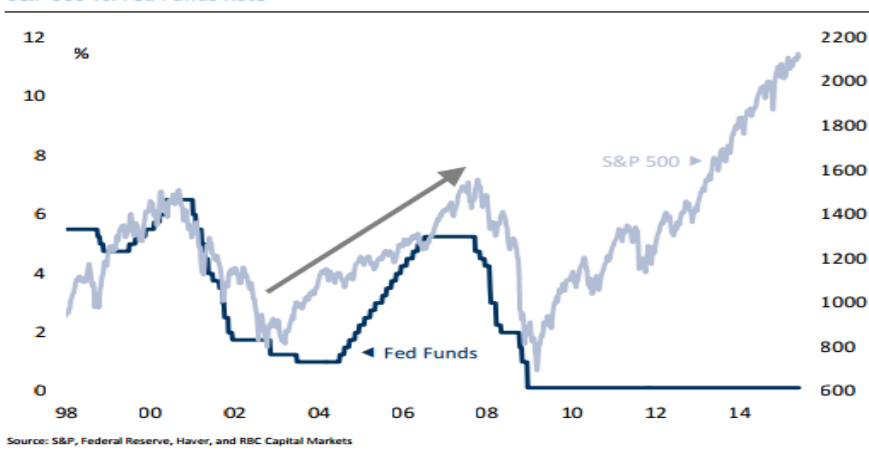


# Market Recap

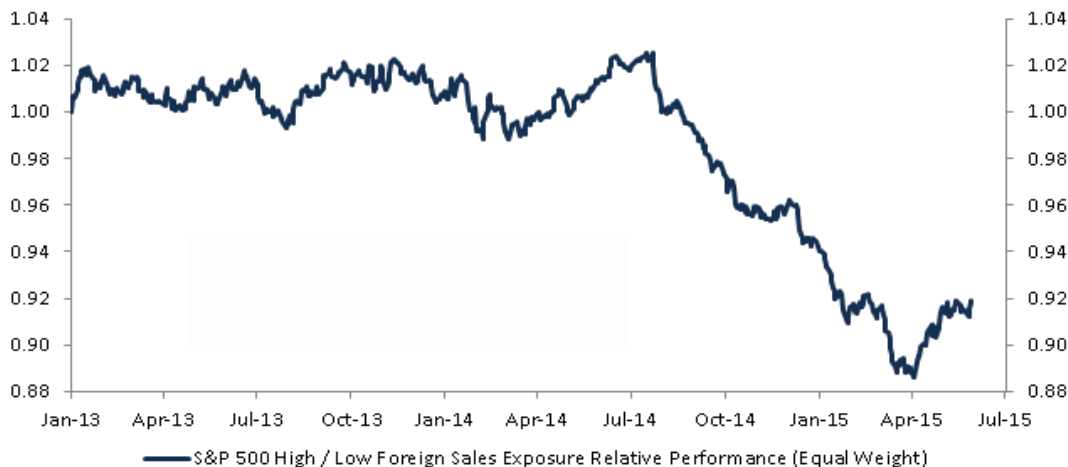
## Fed Rate Hikes Don't Mean The End Of The Bull Market

S&P 500 vs. Fed Funds Rate



Source: RBC Capital Markets

## S&P Stocks with Foreign Sales Exposure Outperform



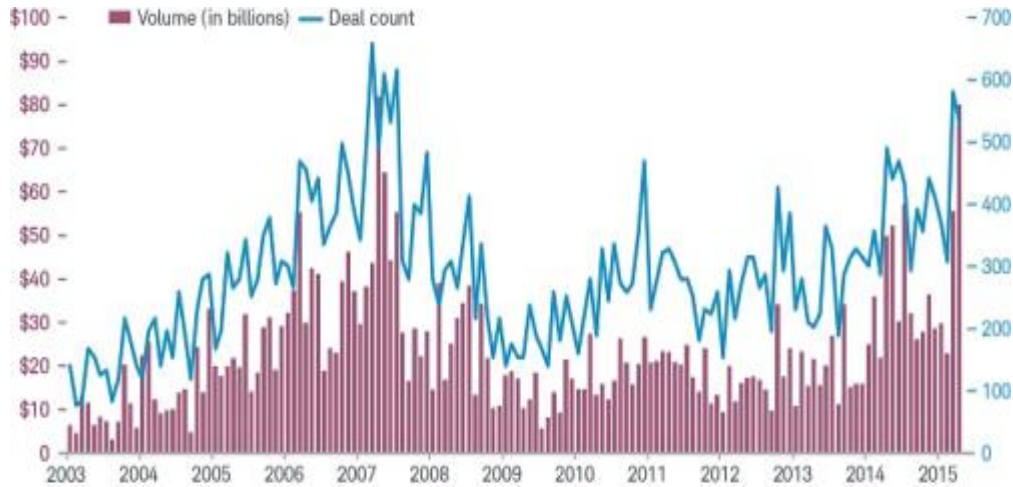
Source: Evercore ISI

As the Federal Reserve is poised to raise short term interest rates later this year, uncertainty remains as to the impact on the equity markets going forward. Many investors are under the assumption that a rate increase will have an adverse effect on the stock market. This makes sense as higher rates mean higher borrowing costs, which will hurt company profits and ultimately stocks. However, there is an argument that increased rates won't cause the end of the bull market. While we may see a selloff on the initial rate hike, history proves that the decline is usually modest, followed by a quick recovery and a return to an upward trending market. The initial rate hikes of 1999 and 2004 did little to stop the S&P 500 from gaining new ground. This time, supported by a reasonably solid U.S. economic backdrop, a similar pattern may emerge.

During the month of May, S&P 500 stocks with high levels of foreign sales reversed their strong-dollar-driven downward trends to outperform the broader U.S. market. This, despite the fact that Europe's benchmark stock index, the Stoxx 600, declined 2.7% for the month due to continued concerns over Greece's economic health and questionable participation in the Eurozone as well as China's slowing growth, the combination of which has overshadowed an overall positive growth outlook in Europe. While down in May, the European stock market has outperformed the U.S. by 14% thus far this year. Accordingly, investors question whether this recent multinational outperformance is due more to the market's conviction that this year will continue to reveal stronger global growth, or more to concerns about the opportunity costs of investing in U.S.-centric businesses.

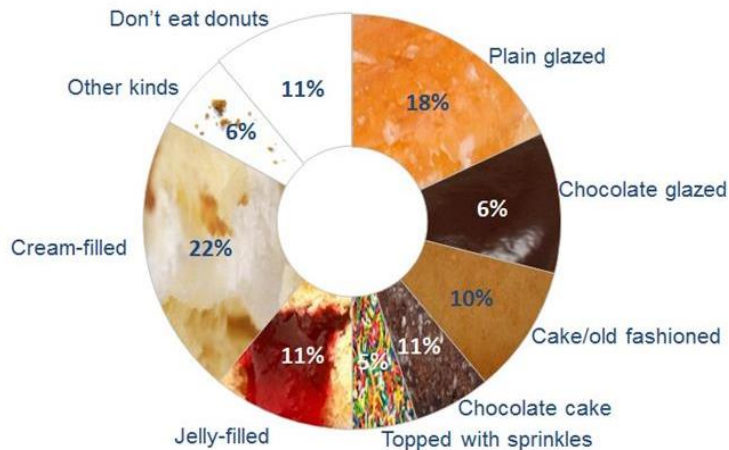
# Market Recap

## M&A Activity Is Increasing



Source: Charles Schwab, Bloomberg Data

## Celebrating National Doughnut Day



Source: WachFox

Merger and acquisition (M&A) activity among publicly-traded companies, both in terms of the number of deals as well as the deal size, is at its highest level since 2007. Through the end of April, deals are up over 60% compared to this time last year. This may be a good thing for investors as corporate cash that was earning low or negative yields will be redirected into existing businesses, in turn, generating higher returns for investors. Furthermore, as smaller companies are acquired with cash, there are fewer overall shares in the market, benefitting owners of the remaining shares. Although we are now at levels last seen before the financial crisis, there seems to be less risk in the markets as today's deals are more widely diversified across sectors and are therefore less likely to lead to a bubble. In 2007, more than half the M&A deals involved the financial sector. In contrast, this year, financials comprise less than one-third of all deals, while the next three largest sectors, in aggregate, represent 45% of the deals.

Friday, June 5 is National Doughnut Day. In celebration, many bakers, including Dunkin' Donuts, Krispy Kreme, and Tim Hortons, give their wares away today. National Doughnut Day origins go back to 1938, and the day is as much about the people behind the food as it is about the ring of fried dough itself. During World War I, women volunteering for the Salvation Army made doughnuts for soldiers serving overseas as a way to boost morale. National Doughnut Day was launched by the Chicago branch of the Salvation Army, in part as a way to raise funds for, and awareness of, the organization's work in the community. But the spirit behind the day was the recognition of these women's contribution to the war effort. Today, an estimated 10 billion doughnuts are made in the U.S. each year. That is an average of 31 doughnuts per person every year. Cream-filled remains the most popular choice, followed closely by the classic Plain Glazed variety.

**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).

**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.