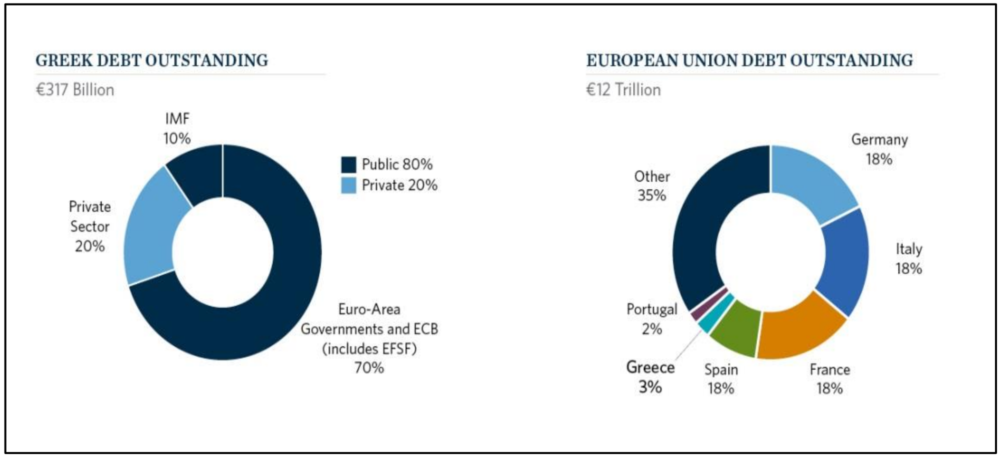
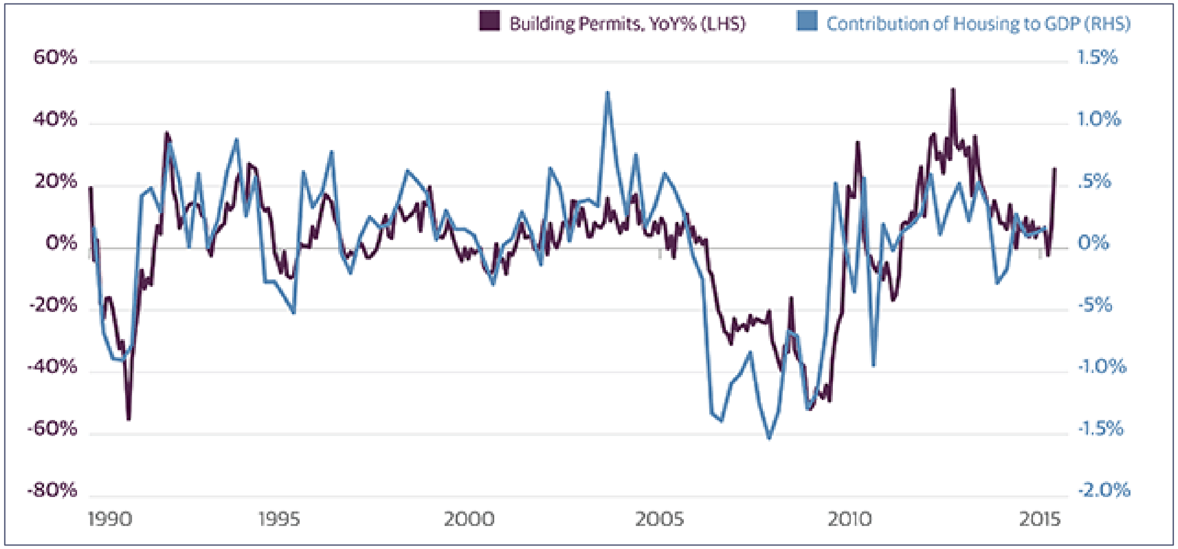
# Market Recap

## Greek Debt Relative to Debt of the European Union




Source: Bloomberg, Eurostat, CommonFund

## Building Permits and Contribution of Housing to GDP




Source: Haver Analytics, Guggenheim Investments

The past few weeks have witnessed various developments and constant worry over the state of the Greek economy (due to a fast approaching debt crisis) and the sovereign state's future as a member of the European Union. While much attention has been devoted to each progressive step in the negotiations between Greece and its creditors, the impact of a Greek debt default and subsequent exit from the Euro zone are most likely less severe than widely held consensus would dictate. While 80% of Greek debt today is in the hands of other European governments, that entire figure represents only 3% of outstanding EU debt. Thus, the threat of financial market contagion across Europe due to Greek default may not be very high, however, the rest of the world will watch to see if other nations (notably Portugal, Spain and Italy) will weather unscathed either a Greek exit or debt restructuring that incorporates a significant reduction.

First quarter GDP (reported to be -.2%) was hampered by a number of factors including a slowdown in housing. Recently, however, there is optimism that housing may finally be poised to make a significant contribution to GDP growth going forward. In May, new home sales increased 2.2%, while existing home sales also beat expectations, increasing by 5.1%. There may be even better news in the near future as government data shows an11.8% increase in building permits from April to May, representing the strongest month since 2010. This increase in building permits is a leading indicator that future housing construction - which is an important contributor to U.S. GDP – will be robust. This recent spike in building permits may equate to a .5% increase in GDP growth during the second quarter, which would be the largest increase since 2013.

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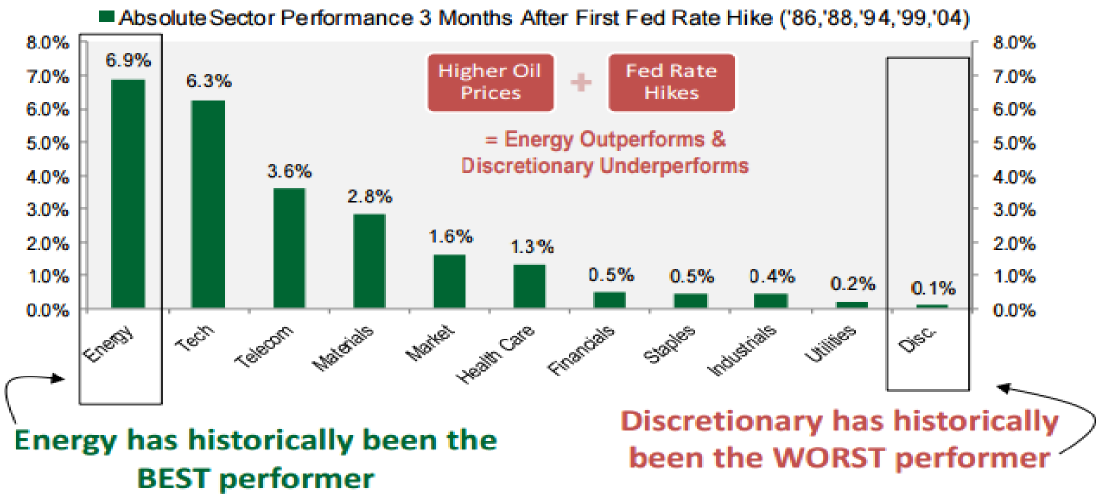
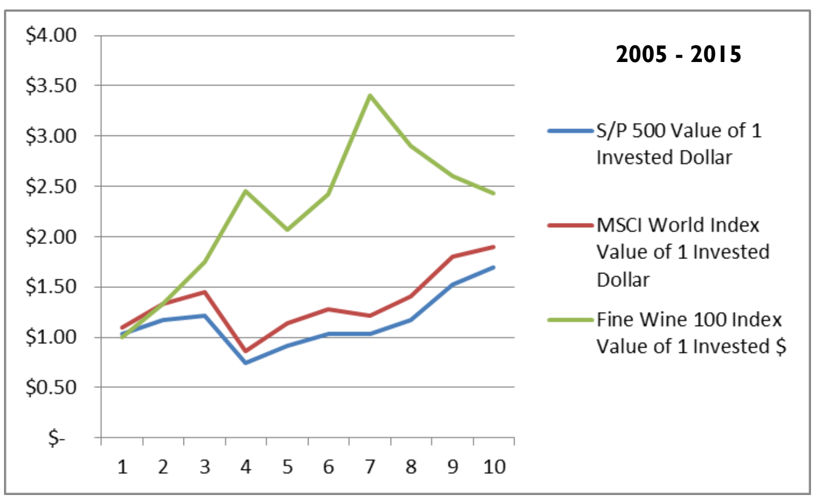
## Sector Performance After Initial Fed Rate Hike




Source: Cornerstone Macro

As investors debate when, and by how much, the Fed is expected to raise interest rates, historical data suggests certain sectors of the market will do better than others when that eventuality occurs. In the past, the Energy sector has led performance during a period of rising rates, returning close to 7%, followed by Technology (up 6.3%.). However, one critical variable that is different today is that oil prices are not appreciating as rapidly as in past tightening cycles, leaving doubt as to Energy's relative strength as rates rise. On the flip side, sectors that typically underperform when interest rates increase are Discretionary Spending and Utilities. Despite the relative comparison, it is important to note that, historically, all sectors post positive absolute returns during a Fed tightening cycle.

## Wine – Even Better if You Don't Drink It




Source: Wealthmanagement.com

Esoteric investments—art, racehorses, classic cars, for example—are generally viewed as eccentric and risky. However, a recent study published by Arcana Investment Research found that some of the most highly sought-after collectible wines have actually appreciated at a rate outpacing the return of the stock market over the past ten years. Measured by the Liv-Ex Fine Wine 100 Index, wine prices have increased at an average of 9.2% per year on an annualized basis. Contrastingly, the S&P 500 Index and the MSCI World Index are up 5.44% and 6.63%, respectively, on an average annualized basis. Wine also has a correlation of less than 0.4 to other asset classes, with a 0.23 correlation to price movements in the S&P 500, suggesting that the wine cellar in your basement is not only appreciating in value but also indirectly diversifying your exposure to the investment landscape as a whole.

**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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