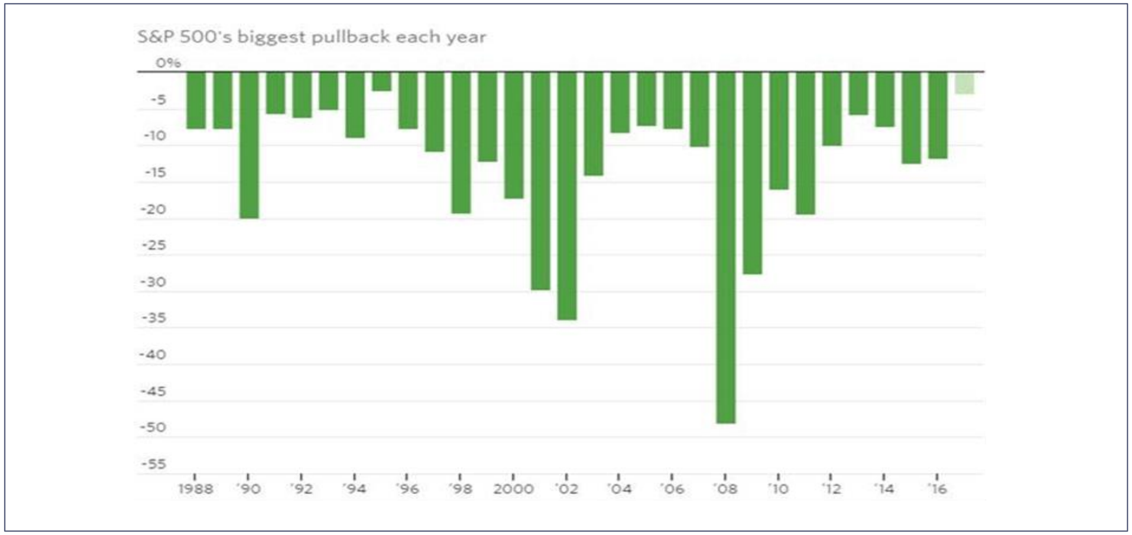
Market Recap

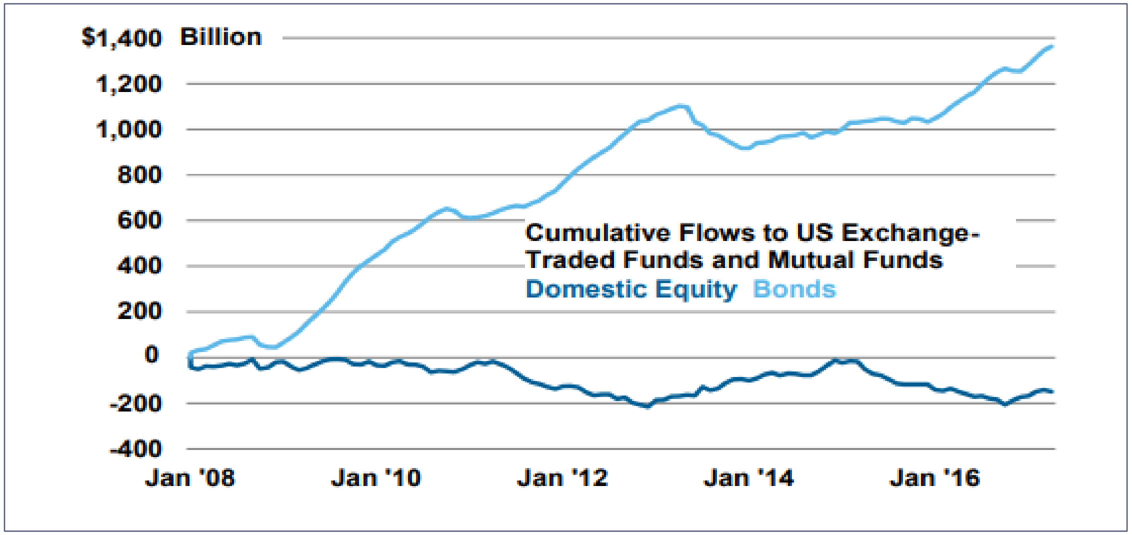
Markets Continue to Navigate Calm Waters



Source: Wall Street Journal

While the S&P 500 has historically increased in value at close to a 10% annualized rate since the Great Depression, this rise has not been linear. Equity markets have typically endured numerous pull backs within a longer-term upward trend: the S&P 500 has declined 5% from a prior peak 174 times since 1946 (an average of 2.5 times per year). The lack of volatility we have seen in equity markets thus far this year is staggering, with none of the major stock market benchmarks in the U.S, Europe, or Asia suffering a decline of 5% thus far in 2017. This is the longest such streak to begin a year since 1993. While the catalysts for the recent rally remain in place (improving earnings growth, low probability of recession, and low interest rates), history suggests that this likely will not last, as the S&P 500 has only avoided a 5% pullback in five of the last 60 years.

Investor Risk Appetite Remains in Check



Source: Wall Street Journal

Equity markets have seen a dramatic rise since the November U.S. Presidential Election, fueled by low interest rates, improving growth prospects and the potential for fiscal stimulus. While many assets are relatively expensive against historical levels, and the longevity of the current market cycle is outside of the norm, we still have not seen the type of greed (i.e. fear of missing out) that typically manifests itself during the latter stages of a bull market. Since 2008, incremental investment flows to fixed income ETFs have far outpaced those into equity ETFs, suggesting that the financial crisis may have systemically moderated investor risk appetite. Unchecked levels of exuberance are often a signal that a bull market run is poised to reverse, however, today's continuing flows into fixed income funds suggest that investors are holding on to a more conservative mindset despite the recent run-up in equity values.

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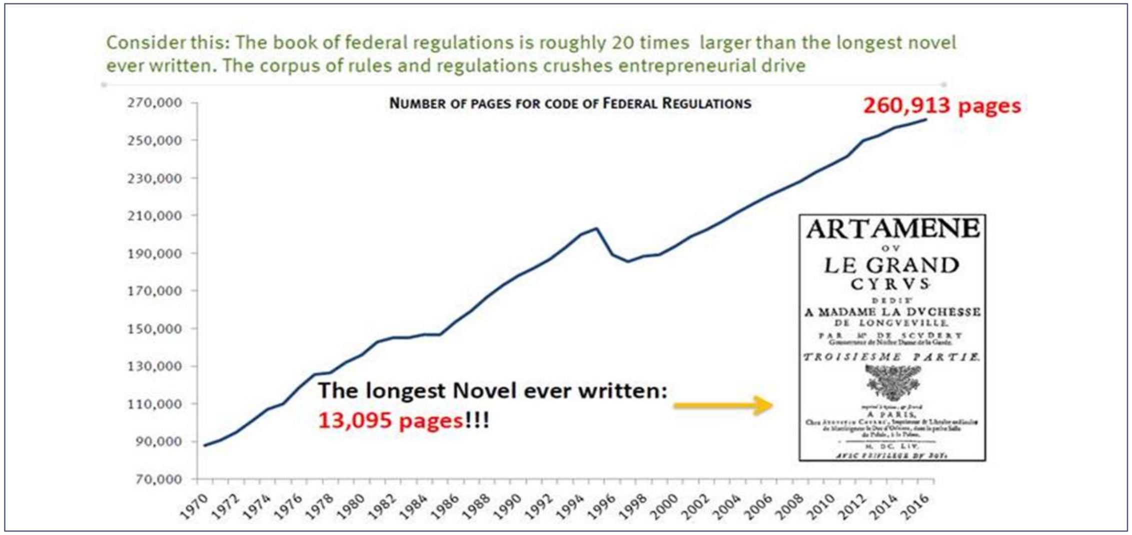
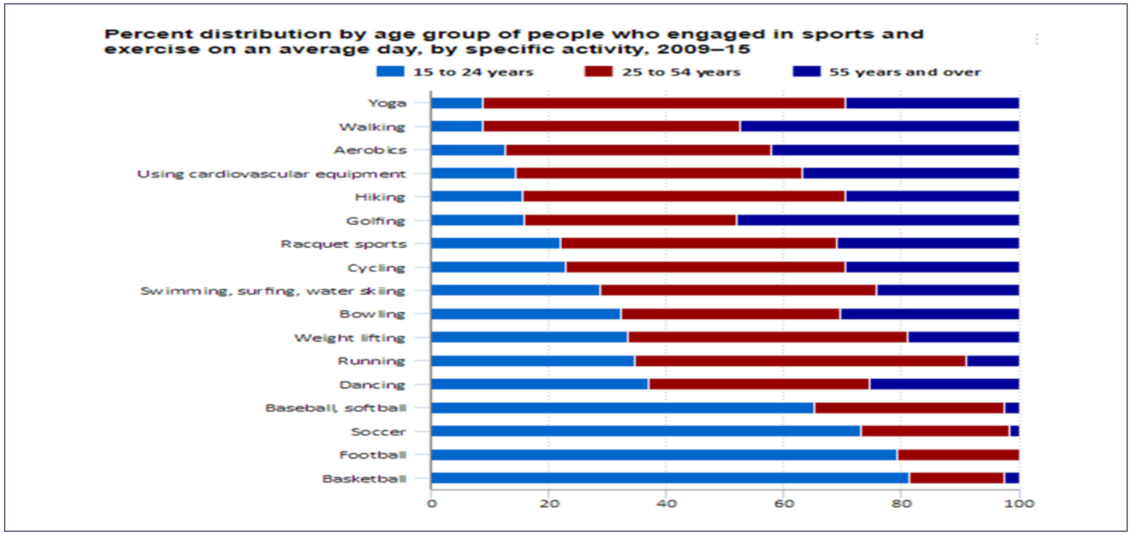
Increasing Federal Regulation Over Time



Source: Investopedia

Sport and Exercise Trends Across Age Demographics



Source: Business Insider

Since the first corporate income tax and anti-trust laws were enacted in the early 20th century, we have seen a steady and prolonged rise in the volume of federal regulations, which have tripled since 1970 and increased by about 35% since 2000. Not only does the government seek ways to broaden its administration of new technologies and products as the business environment evolves, but significant events like the financial crisis and a wave of corporate fraud (Enron, Tyco, WorldCom) also have precipitated legislation meant to prevent such events in the future. American business has both prospered and suffered as a consequence of government intervention, which can be either collaborative and complementary, or restrictive and adversarial. While increasing regulation is said to stifle innovation and entrepreneurial spirit by making it more difficult to build and sustain a business, American consumers are offered significant protections from the same rules that create boundaries for our business marketplace.

The average U.S. citizen is exercising more today than he or she has in the past, engaging in a variety of activities. Some of these activities are the privilege of youth, others can be enjoyed throughout the course of one's lifetime. This distinction shows up in data concerning the age distribution of people engaging in a specific form of exercise. To no one's surprise, people aged 15-24 years comprise the vast majority of participants in sports such as basketball, football and soccer, while golf and walking have the highest adoption among those 55 and older. Interestingly, though, over-55 athletes today participate at higher levels than young 20s in yoga, aerobics (including the use of cardiovascular equipment), hiking, and even racquet sports.

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.