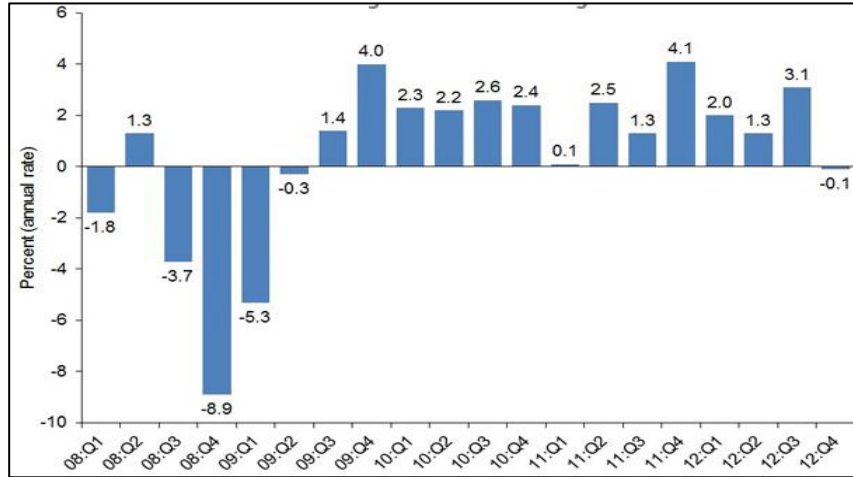


Market Recap

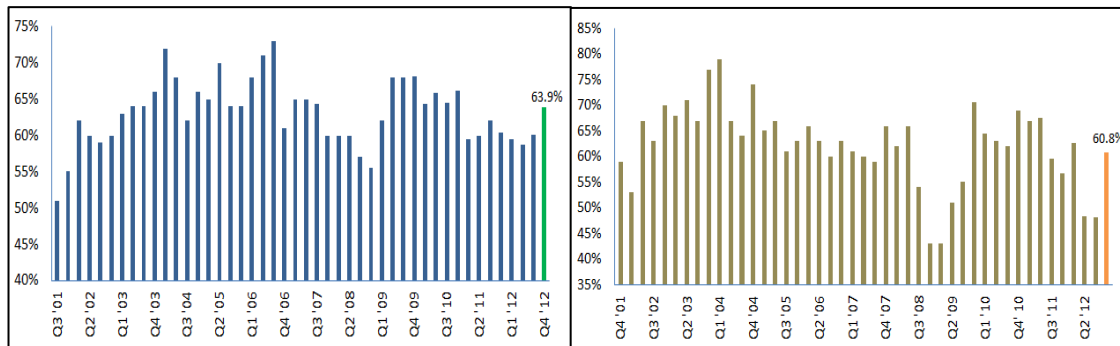
U.S. GDP Growth (Percent Change from Preceding Quarter)



Source: WhiteHouse.Gov

The economy unexpectedly contracted in the fourth quarter of 2012, as GDP fell at a 0.1% annual rate (its weakest reading since 2009). Economists had been forecasting growth of 1.1%. While many were surprised by the drop in output, they were encouraged by the acceleration in consumer spending and rebound in business investment, which pointed to some fundamental economic strength. The primary contributors to the negative reading were lower inventory growth and the deepest drop in defense spending in 40 years. The thinking is that lawmakers' struggles to reach a deal on tax increases and budget cuts led businesses to pare inventories and the government to cut spending. Excluding these items, GDP would have grown at a respectable 2.5%. Further, economists said Superstorm Sandy, which struck the East Coast in late October, may have reduced GDP by about half a point.

S&P 500 Fourth Quarter Earnings and Revenue Exceeding Estimates

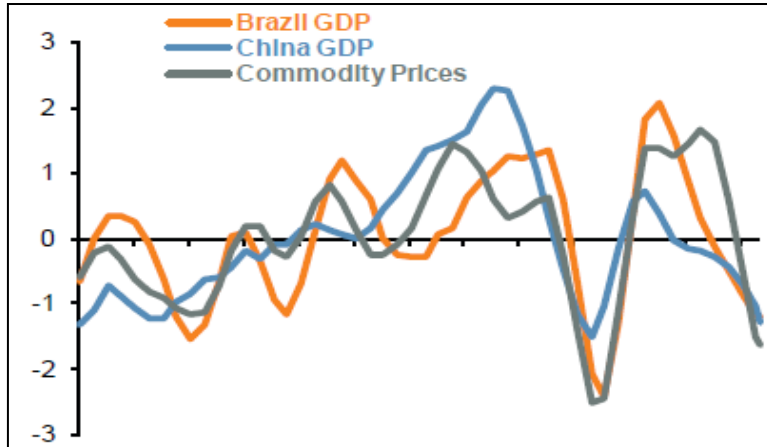


Source: Lipper

This week marks the mid-point of the fourth quarter reporting period. Thus far, the results have been favorable. Of the companies that have reported results, 63.9% have exceeded earnings estimates. If this rate persists for the balance of the period, it will be the highest rate seen since the fourth quarter of 2010. Perhaps even more encouraging than the earnings data has been revenue results. Thus far, 60.8% of companies have exceeded revenue estimates. While 60.8% is close to the average reading reported over the last ten years, it represents a substantial increase over the sub-50% readings of the prior two quarters. Since the earnings period began, the S&P 500 has risen by 2%, indicating a favorable reception by investors to the demonstrated progress in corporate growth.

Market Recap

Brazil GDP, China GDP, and Commodities (YoY% Change)



Source: JP Morgan

One of the greatest concerns for investors has been the perceived slowdown of emerging market growth, most especially in China and Brazil. The most recent Chinese economic data has been mostly positive, reducing the risk of a dramatic Chinese slowdown or “hard landing.” An acceleration in Chinese GDP would have global ramifications, in particular for countries whose economies are highly correlated with China’s growth (notably Brazil). Brazil is one of the most significant exporters of natural resources to China, making China its largest single trading partner. Brazil’s GDP also tends to move in the same direction as commodity prices, reflecting the demand that China has for certain metals such as iron ore. Brazil has structural issues to address this year in order to increase its potential growth; however, Chinese growth would provide support for the country as well as commodity prices in general.

Super Bowl Spending



Source: qSample

Super Bowl Sunday is considered an unofficial national holiday in the United States. The game is only part of the spectacle. In a recent survey, 20% of respondents indicate that they will be hosting or going to a Super Bowl party, and over half (51%) say they will be watching the game at a friend’s or family member’s house. Another 6% indicated that they will watch the game at a bar. A majority of the respondents (59%) indicate that they plan to spend on food and beverages for the event. Television advertisements have become an important part of the event. Many advertisers save their most creative work for the Super Bowl. Fifteen percent of survey respondents said the ads were to them the most important part of watching the Super Bowl. Fully 64% say they think Super Bowl ads were effective in influencing consumer purchase decisions. Forty percent of respondents expressed interest in the half-time show featuring singer Beyoncé.

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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