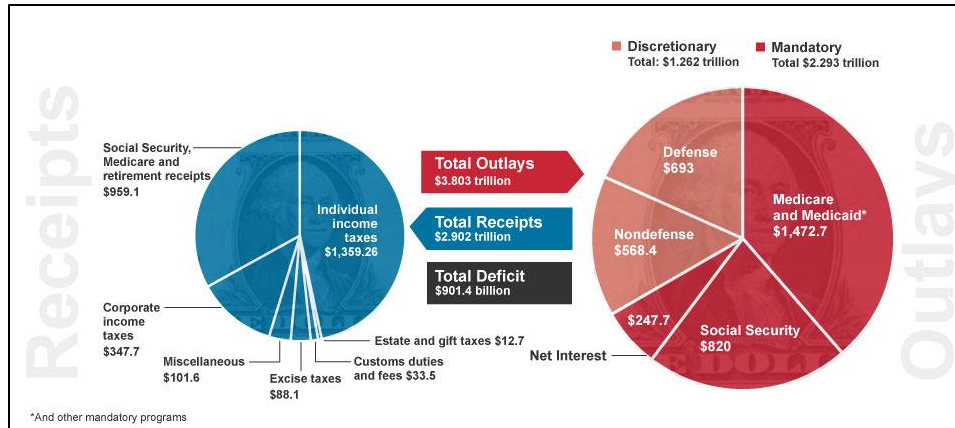


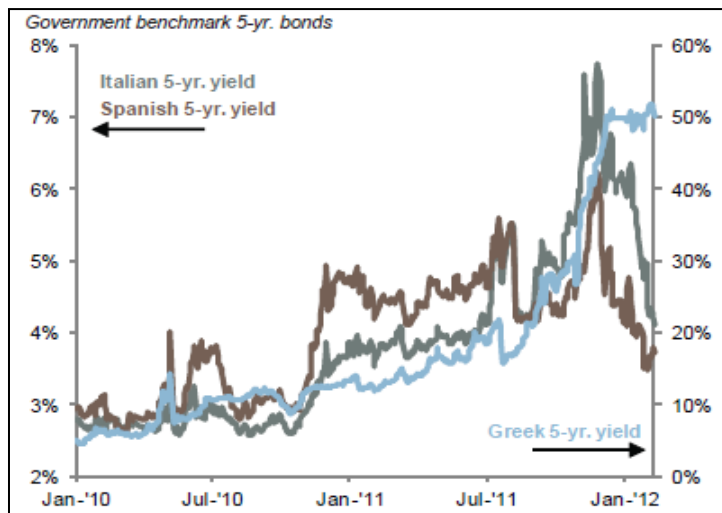
Market Recap

White House Budget



Source: Office of Management and Budget; Wall Street Journal

Greek, Spanish, and Italian Bond Yields



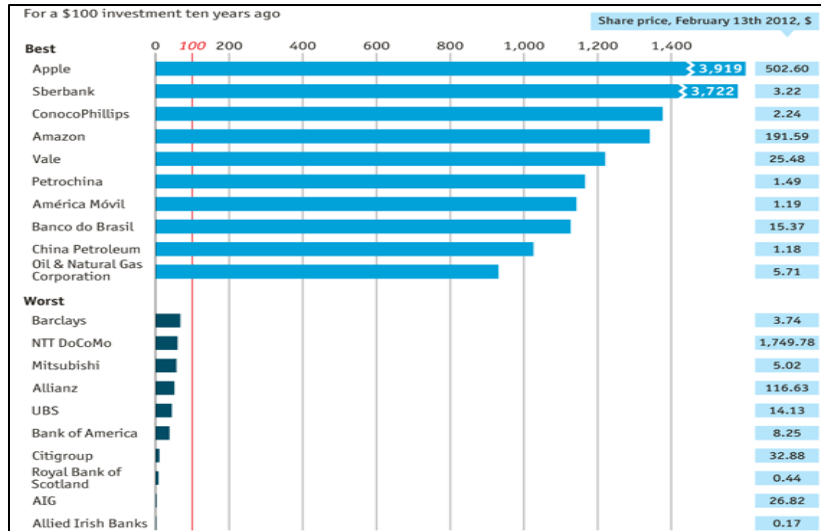
Source: J.P. Morgan

The White House released its 2012 budget proposal totaling \$3.8 trillion in spending. The President's proposal also includes new taxes on the wealthy, structural changes to the tax code and short-term spending measures as part of an election-year budget plan aimed at boosting job growth and helping the middle class. The budget projects the deficit will exceed \$1 trillion in 2012 for the fourth straight year, meaning President Obama would not meet his promise to cut the deficit in half by the end of his first term. The budget was quickly dismissed by congressional Republicans and GOP Presidential candidates because in their view it fails to seriously address the growing deficit. The budget underscores the White House's bet that it can convince voters that increased spending in the short term is needed to further stimulate the economy before steps are taken to address the federal deficit in the long term. The budget proposes generating \$1.7 trillion in new revenue over 10 years largely by ending Bush-era tax cuts for families earning more than \$250,000, restoring the estate tax to 2009 levels and limiting subsidies for oil and gas companies.

Since the start of the European debt crisis, the greatest concern for the global markets has been the risk of contagion spreading from the periphery to larger core countries. Spanish and Italian bond yields quickly increased to unsustainable levels during the second half of last year as those fears of contagion appeared likely to materialize. The measures taken by the European Central Bank to inject liquidity into the economy and banking system seem to have contained tail risks at least for the time being. While Greek bonds are being priced for default, Spanish and Italian bond yields have decreased considerably approaching pre-crisis levels.

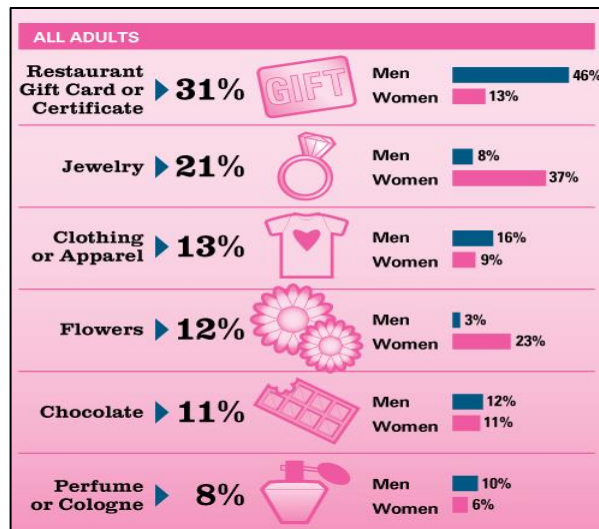
Market Recap

Best and Worst Performing Large Companies of the Past Decade



Source: Bloomberg

Most Wanted Valentine's Day Gifts



Source: National Restaurant Association

A review of top performing and under-performing stocks of the past decade can be quite revealing. The chart looks at the 200 largest global companies that existed in 2002; it does not include both new and recently bankrupt firms. As many would suspect, Apple was the best performing stock of the last decade. A share of Apple cost \$12.50 ten years ago. Today, that share would be worth \$500. A hundred dollars invested in Apple in February 2002, around the time it unveiled its redesigned iMac, would be valued at almost \$4,000 today. The same investment in Sberbank, Russia's largest bank, would have performed almost equally well – growing to more than \$3,700 today. The decade has not been so kind to a number of Western financial services firms. Investments of \$100 in Allied Irish Banks and AIG ten years ago are worth \$1.33 and \$2.21 respectively today.

According to National Restaurant Association research, nearly one-third of adults would like to receive a restaurant gift card on Valentine's Day above all other choice. Men show a much stronger preference for restaurant gift cards than women. Jewelry and flowers were the top-choices for women. Perhaps the most interesting finding of the survey was that nearly half of American adults do not celebrate Valentine's Day at all, or celebrate with things other than a special meal. Only one-quarter of adults celebrate Valentine's Day by dining at a restaurant.

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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