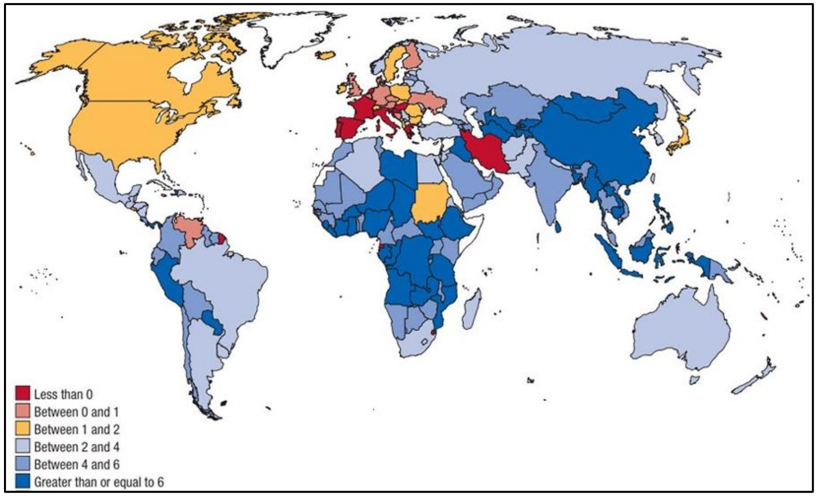
Market Recap

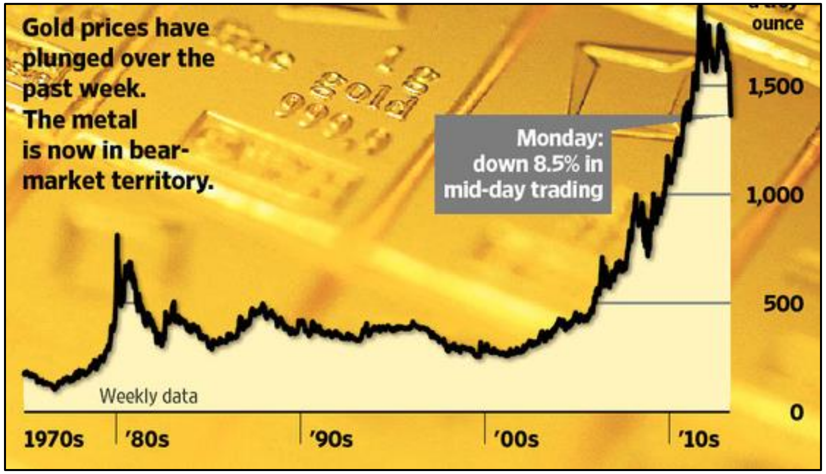
IMF 2013 GDP Forecast



Source: IMF

The International Monetary Fund (IMF) warned that an “uneven recovery is also a dangerous one” for the global economy, as it downgraded its growth forecasts for 2013, while holding out the prospect for improvement late in the year. The IMF outlined significant medium-term risks stemming from doubts about the Eurozone's ability to deal with crisis and the ability of the U.S. and Japan to cut public sector deficits and debt. The IMF is forecasting global growth equal to 3.3% this year, down from its January estimate of 3.5%. Its prediction for 4% global growth in 2014 has not changed. The revised forecast for 2013 U.S. GDP growth is 1.9% (versus previous of 2.1%). Still, the IMF says the U.S. economy is improving and should expand 3% in 2014. U.S. job growth has accelerated, the housing market is recovering, and banks are more willing to lend. The IMF predicts that the 17-country Eurozone GDP will shrink 0.3% in 2013 and grow only 1.1% in 2014.

Gold Prices



Source: WSJ

On Monday, gold posted its largest one-day percentage drop in 30 years. Gold fell 9% to a two-year low of $1,360 an ounce. That extended its decline of more than 20% from its 2011 all-time high. Since last Thursday, gold prices have declined by more than $203 an ounce, a record decline since the futures began trading in the U.S. in 1974. The prices of industrial commodities such as copper, steel, and crude oil also tumbled. The decline in commodity prices follows news of softer-than-expected economic growth and industrial output in China. Investors are grappling with signs that the global economic expansion that began in 2009 is slowing, together with their diminished belief that central banks' easy money is leading to inflationary pressure.

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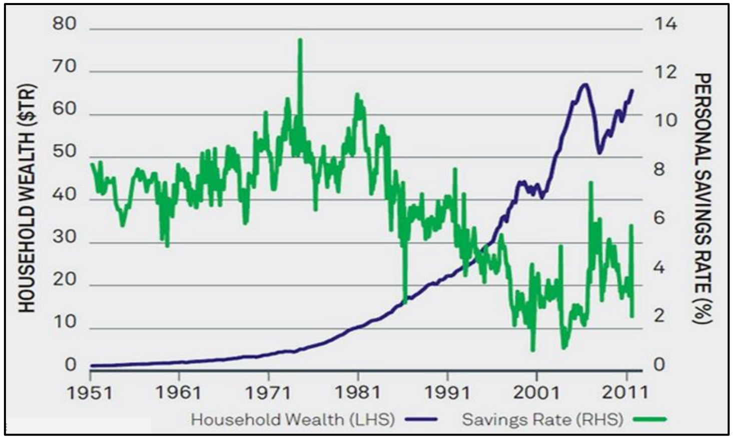
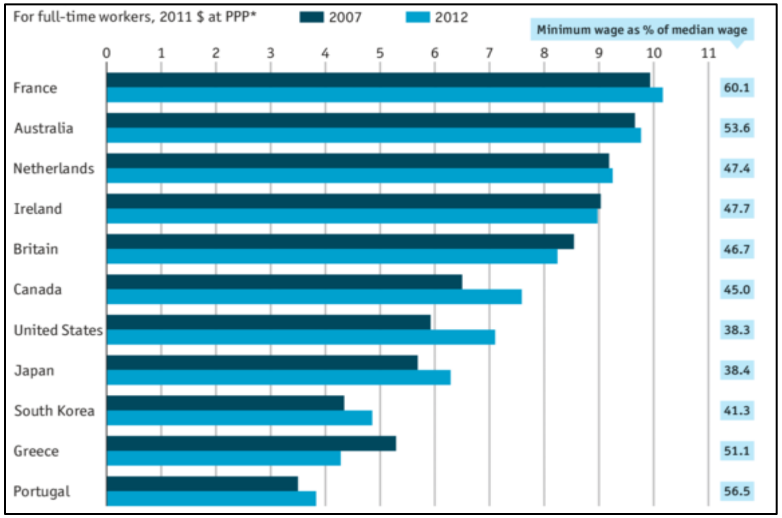
Household Wealth and Personal Savings Rate



Source: Bureau of Economic Analysis; Federal Reserve; Blackrock

Recent data indicate that the U.S. personal savings rate has been declining, as consumers have demonstrated a greater willingness to spend. The increase in spending is attributed to the recent increase in household wealth as home and stock prices continue to rise. This principle, commonly known as the "wealth effect," theorizes that changes in consumption are influenced by changes in either actual or perceived affluence. Current spending is also thought to be swayed by the continuation of low interest rates, which discourage saving and encourage borrowing and spending. Although some economists warn that current trends are troubling and unsustainable, they are serving to bolster GDP, as consumer spending represents 2/3 of the U.S. economy.

Hourly Minimum Wage



Source: OECD; The Economist

The British government recently announced that the U.K. minimum wage will increase by 12 pence to £6.31 ($9.66) an hour. Britain's low-paid workers will welcome the decision, as the U.K. minimum wage, when adjusted for inflation and purchasing power, has, in effect, fallen over the last five years. By comparison, the U.S. government is also considering a federal minimum wage increase; however, it is one of significantly larger proportion (as high as 24%). No consensus exists among economists as to the resulting impact of this proposed legislation. The greatest fear is that a dramatic increase in the minimum wage at a delicate time in our economic recovery might drive employers to respond by eliminating jobs. The hope is that any increase in the minimum wage will be meaningful enough to provide support to the 15 million workers at that pay level. Ideally, employers would save money elsewhere, with improved morale and lower employee turnover.

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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