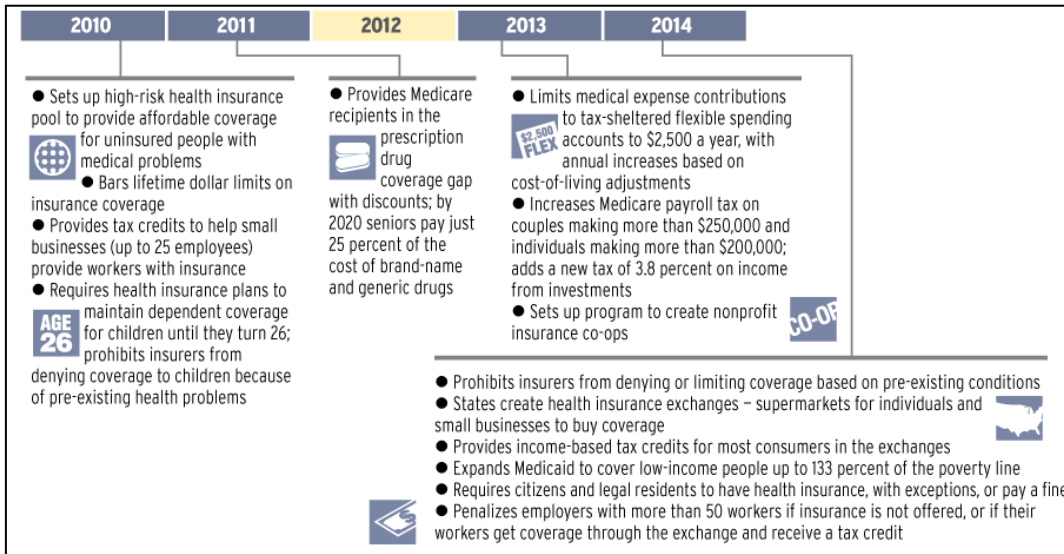


# Market Recap

## Timing of Key Provisions of the Healthcare Bill



Source: Associated Press; Tribune

By a 5-4 vote, the Supreme Court ruled to uphold President Obama's plan to expand health coverage to nearly all Americans. The ruling clears the way for the revamp of America's health-care system and sets the stage for a renewed political fight over its merits. While the constitutionality of the health-care law was validated, it remains unpopular in polling. The law's mandate requires Americans to carry health insurance or pay a penalty valid under Congress's authority to levy taxes. The ruling means that the \$2.7 trillion health industry will move forward mostly as planned, with implications for every hospital, doctor, health insurer, and drug maker. About 30 million more Americans are expected to gain coverage. Health-care companies stated that they were relieved to have a greater degree of certainty about what is in store, and some welcomed the influx of new customers the insurance mandate will provide. Others pointed to concerns, including the complexity of the law.

## Spanish 2-yr Treasury Bond Yield

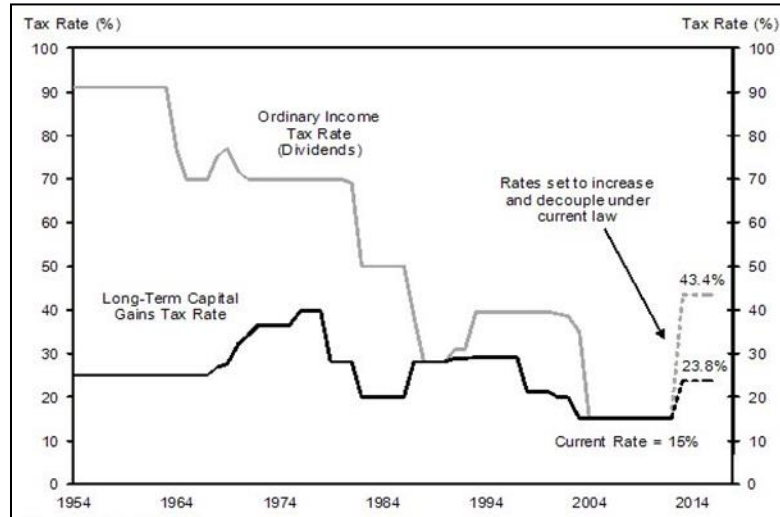


Source: Bloomberg

Financial markets applauded measures taken by European leaders to tackle the euro zone's debt crisis by lowering borrowing costs. The leaders announced an agreement to provide greater flexibility for rescue funding, paving the way for the ECB to assume an expanded role as supervisor for the European banking sector. The euro zone's two bailout vehicles (the European Financial Stability Facility and the European Stability Mechanism) will now provide capital directly to banks, avoiding the need for home governments to weaken their own balance sheets with new debt. Leaders also agreed that loans to Spain to recapitalize its banks would not be senior to Spain's existing government debt, thus eliminating the vicious cycle between banks and sovereign debt. As a result, the yields on Spain's (as well as Italy's) government debt immediately fell dramatically, lowering their borrowing costs.

# Market Recap

## Top Historical Federal Tax Rates



Source: Treasury Dept.

One of the lesser-discussed aspects of yesterday's Supreme Court ruling was the preservation of an estimated \$813 billion in new revenue raisers (over 10 years) stemming from the health-care law. Starting in 2013, an extra 0.9% tax will be levied on earned income above certain thresholds (*e.g.*, \$250,000 for married joint filers), and an extra 3.8% tax will be levied on the lesser of "net investment income" (including long-term capital gains and dividends) and the excess of adjusted gross income over certain thresholds (*e.g.*, \$250,000 for married joint filers). Unless current law is changed, the top aggregate Federal rate on long-term capital gains and dividends, now 15%, will increase to 23.8% and 43.4%, respectively. In anticipation of the tax increases, high-incomers are considering accelerating capital gain and ordinary income recognition events (such as business sales and stock option exercises), investing in municipal bonds (interest on which is not subject to the 3.8% surtax), and deferring deductions where possible. The outcome of the elections in November may result in changes to tax policy, but taxpayers have been left to wonder what the changes will be and when they will be made.

**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](http://www.harbourcapitaladvisors.com).

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