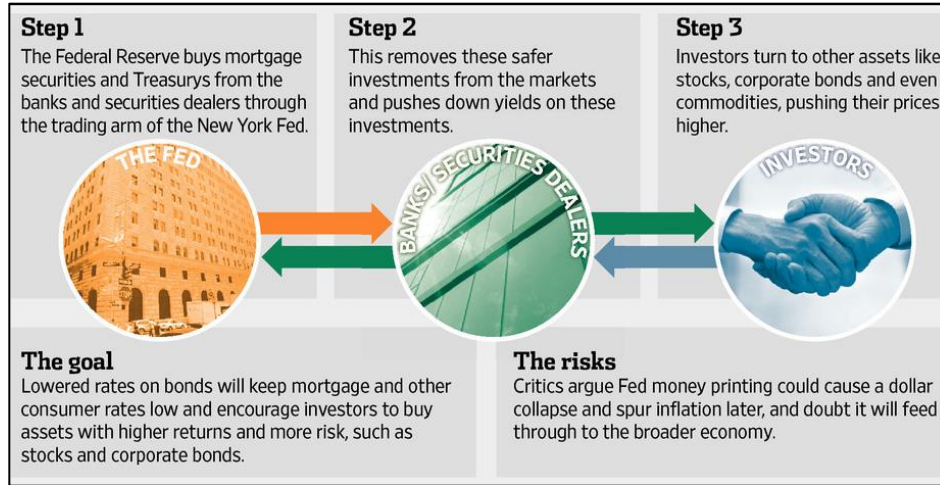


Market Recap

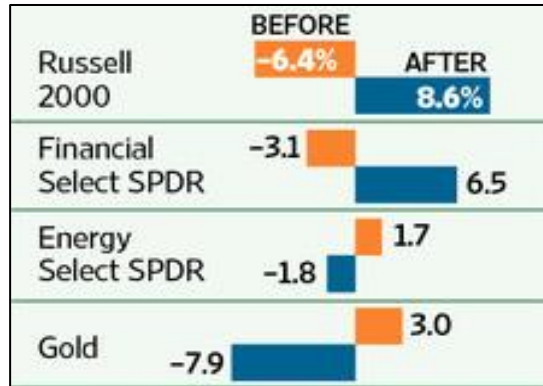
How Quantitative Easing Works



Source: Getty

The Federal Reserve initiated another round of stimulus, saying it will buy \$40 billion of mortgage-backed debt per month until the outlook for jobs improves substantially and as long as inflation remains contained. The Fed's bond buying is meant to drive down long-term interest rates and push investors into other assets, like stocks. It also is expected to weaken the value of the dollar, in part because the Fed is effectively printing more money. The central bank's decision to tie its bond buying directly to economic conditions was unprecedented. In an additional move, the Fed said it was not likely to raise interest rates from current low levels until at least mid-2015. Previously, it had set such guidance at late 2014. The decision comes in the face of widespread questions about the effectiveness of 'unorthodox monetary policy' as well as the potential political ramifications with the proximity to the Presidential election.

Relative Performance vs. S&P 500 Before and After Monetary Easing

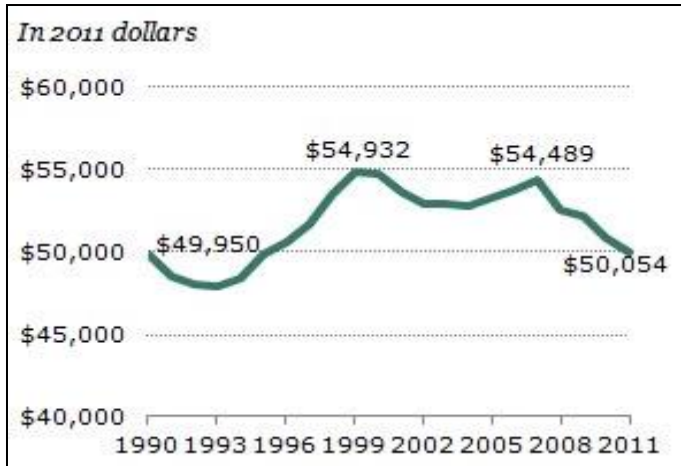


Source: WSJ

The Fed's announcement sent investors into a buying mode soaking up investments in stocks, gold, and other assets. Since the expansion of "QE1" in March 2009, subsequent rounds of easing have resulted in shorter and weaker rallies. The average performance a month prior and a month after the four previous announcements has produced wide disparity between asset classes. The best-performing asset has been small-capitalization stocks. They underperformed the S&P 500 by 6.4% in the month before an announcement, but beat it by 8.6% the month after. The next best performer was the Financial sector (-3.1% prior and +6.5% after). Despite the notion that investors bid up hard assets after the Fed acts, energy stocks and gold both lagged behind the market the month after easing was announced. The superior stock performance suggests that while some investors may react to a perceived debasement of the dollar, most just simply feel comfortable taking more risk.

Market Recap

Median Household Income



Source: U.S. Census Bureau; Pew Research

Apple iPhone Releases

						
CATEGORY	iPhone 5	iPhone 4S	iPhone 4	iPhone 3GS	iPhone 3	iPhone
Resolution	1136 x 640; 326ppi	960 x 640; 326 ppi	960 x 640; 326 ppi	480 x 320; 163 ppi	480 x 320; 163 ppi	480 x 320; 163 ppi
Camera size (megapixels)	8	8	5	3	2	2
Video calling	FaceTime	FaceTime	FaceTime	none	none	none
Video recording	HD 1080p	HD 1080p	HD 720p	VGA	none	none
Battery life (talk time in hours)	Up to 8 on 3G	Up to 8 on 3G	Up to 7 on 3G	Up to 5 on 3G	Up to 5 on 3G	Up to 8 on 2G
Wireless carrier	AT&T, Verizon, Sprint, others	AT&T, Verizon, Sprint	AT&T, Verizon	AT&T	AT&T	Cingular (now part of AT&T)
Date released	Sept. 2012	Oct. 2011	June 2010	June 2009	July 2008	June 2007

Source: Apple, Inc.

According to a recently-released Census Bureau report, the median household income (the figure at which half are above and half below) fell to \$50,054 in 2011, a level not seen since 1995. Other measures of well-being contained in the report were more positive. The national poverty rate, which had risen in the past four years, held steady in 2011, and the number and share of people without health insurance fell. The shift in health coverage is in large part due to more Americans receiving coverage through government programs, such as Medicare. It is important to note that this 2011 report does not capture recently-reported gains in income, improvement in housing values and rises in the stock market. All this data are likely to play into the Presidential campaign that is largely focused on how to get the economy growing at a faster rate.

This week, Apple announced the much anticipated release of the iPhone 5. Sales of the new phone are expected to be double those of the previous model during its first week on the market, thanks to Apple's most aggressive launch plan to-date. According to analyst projections, up to 33 million iPhones may be sold this quarter. Many expressed surprise at how quickly Apple planned to roll out the new model around the world, saying this showed supply constraints that afflicted past releases would not be a problem this time for the bigger, faster and slimmer iPhone 5. The new features of the iPhone 5 include a 4-inch "Retina" screen that displays a sharper image. It can run on high-speed 4G LTE wireless networks and is 20% lighter than the previous iPhone 4S. While many Apple watchers said the new iPhone lacked a "wow" factor, Apple shares rose after the launch, in contrast to a fall after the launch of the previous model, the 4S, almost a year ago.

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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