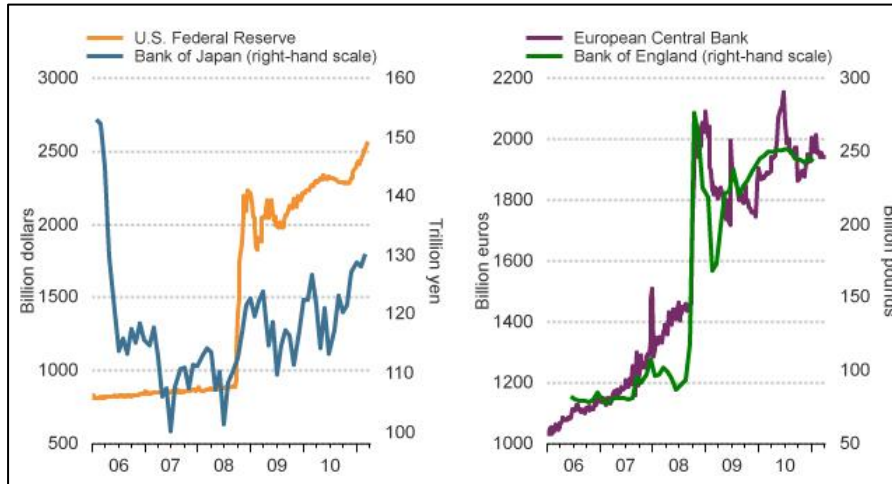


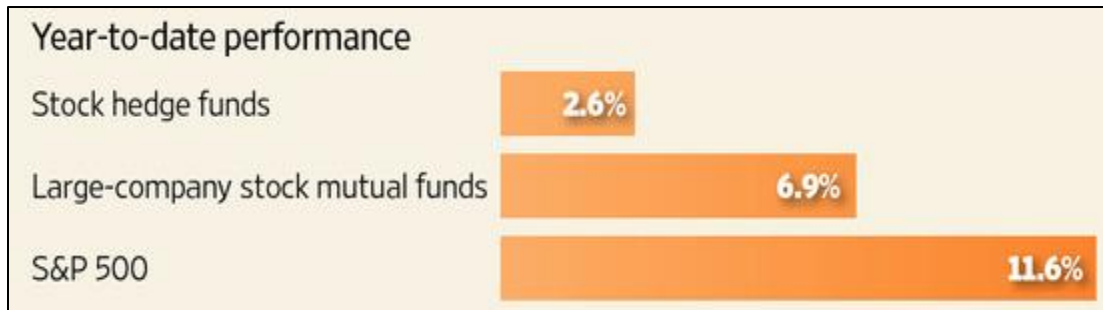
Market Recap

Central Bank Balance Sheets



Source: Thomson Reuters

Fund Manager Performance vs. S&P 500



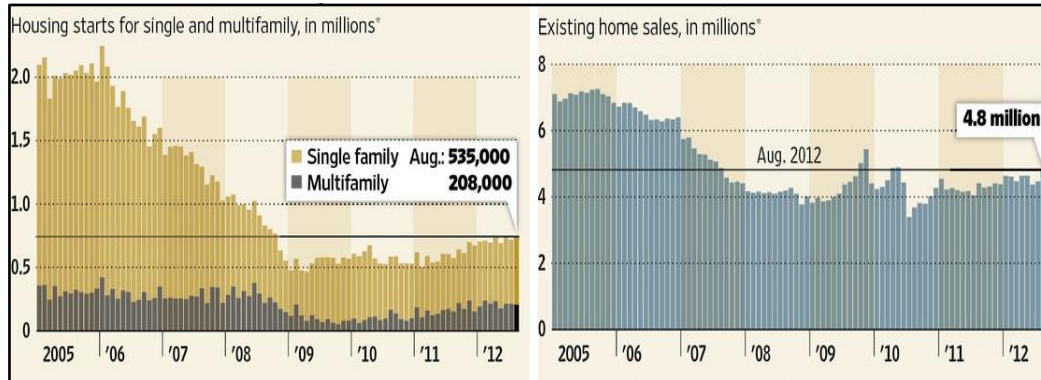
Source: Hedge Fund Research; Morningstar; WSJ

This year, the world's central banks have injected unprecedented levels of fiscal stimulus into the global economy. This week, the Bank of Japan became the latest central bank to ease monetary policy. That follows pledges from the world's two largest central banks (U.S. Federal Reserve and European Central Bank) to launch open-ended programs to bolster their economies. Amid the flurry of efforts from central banks, stocks and other riskier assets have rallied on expectations of accommodative monetary policy. Investors have also been flocking to assets of countries that offer higher interest rates than the low rates offered in the U.S., Japan, and parts of Europe. This is driving other central banks to employ their own measures, in part to keep their interest rates low or to make their currencies less pricey. Worries about inflation or asset-price bubbles have temporarily been pushed to the back burner. However, should economic activity pick up, those concerns could quickly revive.

This year's stock market rally has defied the expectations of many professional money managers who had anticipated a market decline. Managers have focused on a multitude of headwinds (Europe's distress, slowing U.S. economy, and sluggish corporate earnings). Defensive fund managers are now facing what is known in finance as the 'pain trade' (forced buying just to avoid underperformance). The longer stocks hold their gains, the more fund managers are forced to start buying. That, in turn, could give stock prices another leg up and potentially generate a perpetual cycle for the stock market. The performance gap is particularly pronounced among hedge funds. As of the end of August, the HFRX Equity Hedge Index is up only 2.6% YTD. The average mutual fund focusing on U.S. large-company stocks was up 6.9%, roughly half that of the S&P 500.

Market Recap

Housing Starts and Existing Home Sales



Source: National Association of Realtors; Commerce Department; WSJ

McDonalds Sandwich Calories

Food	Serving	Prot	Carb	Fat	Pts	Cals
Menu Category: Sandwiches						
Hamburger	3.7 oz	13	33	9	6	260
Cheeseburger	4.2 oz	15	35	12	7	310
Double Cheeseburger	6.1 oz	25	37	23	11	460
Quarter Pounder®	6.1 oz	24	40	18	9.5	420
Quarter Pounder® (w/ Cheese)	7 oz	29	43	25	12	510
Double Quarter Pounder® (w/ Cheese)	9.9 oz	47	46	40	17.5	730
Big Mac®	7.8 oz	25	47	30	13.5	560
Big N' Tasty®	8.2 oz	24	41	23	11	470
Big N' Tasty® (w/ Cheese)	8.7 oz	27	43	26	12	520
Filet-O-Fish®	5 oz	14	42	18	9.5	400
McChicken®	5.2 oz	15	41	16	9	370
Premium Grilled Chicken Classic Sandwich	8 oz	32	52	9	9	420
Premium Crispy Chicken Classic Sandwich	8.2 oz	27	63	16	11	500
Premium Grilled Chicken Club Sandwich	9.4 oz	45	54	22	13.5	590
Premium Crispy Chicken Club Sandwich	9.6 oz	40	64	29	15.5	680

Source: McDonalds

Housing construction and sales have advanced to their highest levels in more than two years, offering the strongest support that the housing sector has turned the corner after a six-year retreat. In August, construction starts were reported at a seasonally-adjusted annual rate of 535,000 homes, up 2.3% from the previous month and 26.8% year over year. Existing home sales in August rose by 7.8% from July and climbed 9.3% from a year ago, marking the 14th straight year-over-year sales increase. Sales grew even as the number of homes listed for sale was down sharply. Stronger sales and construction should aid economic growth. Rising home prices help to reassure would-be buyers of the merits of their purchasing decision. For current homeowners, rising values stimulate household spending through a concept referred to as 'the wealth effect,' which posits that homeowners increase spending in proportion to anticipated changes in wealth over time. Higher levels of new-home construction, meanwhile, would create jobs.

McDonalds announced that it plans to begin posting calorie counts on all of its menus. The company also unveiled several new healthier menu options. The moves could put pressure on other fast-food restaurants to do the same. Some food chains, such as Panera Bread and Au Bon Pain, already post calorie information on their menus, but McDonald's is the largest chain and the first fast-food company to do so. The move is part of an effort to get out ahead of pending federal menu-labeling requirements. Numerous chains have either reformulated menu items to be healthier or have started steering consumers to lower-calorie choices. According to the U.S. Department of Agriculture, Americans now consume a third of their calories and spend half of their food dollars on food from restaurants.

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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