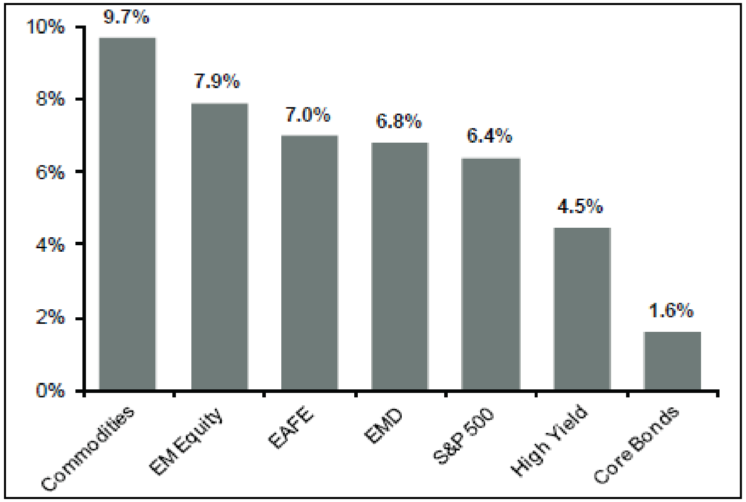
Market Recap

Third Quarter Asset Returns



Source: JP Morgan

World Trade Volume

Source: Bureau for Economic Policy Analysis; WSJ

For the third quarter, most asset categories posted solid returns. The positive results were largely attributed to considerable central bank accommodations. Both the European Central Bank and the Federal Reserve announced new asset purchase programs, with the ECB focused on sovereign debt and the Fed focused on mortgage-backed securities. For the quarter, commodities increased 9.7%, as the central bank accommodation facilitated demand for real assets. Equities across the board were also higher, with international and emerging markets slightly out-performing the domestic market. Within fixed income, the trend toward riskier assets also was apparent. Emerging market debt and high-yield bonds outperformed core bonds, rising 6.8% and 4.5%, respectively, versus 1.6% for core bonds.

During the initial stages of recovery following the financial crisis and ensuing recession, exports were a strong driver of economic expansion. Trade accounted for almost half of U.S. GDP growth during the recovery, compared with an average of 12% of growth in economic cycles over the past four decades. Recent data, however, suggests that global trade is slowing, dimming prospects that exports will continue to buoy the U.S. economy. Global export activity is being impacted by Europe's recession, weak U.S. growth, and the slowing Chinese economy. The World Trade Organization projects the global volume of trade in goods will expand only 2.5% this year, down from 5% last year and 14% in 2010. The International Monetary Fund also lowered its forecast for global economic growth to just over 3% this year. The slowdown could impede the Obama administration's goal of doubling U.S. exports in the five years following the end of the recession in 2009. President Obama has held that exports were key to efforts to increase manufacturing and create more jobs.

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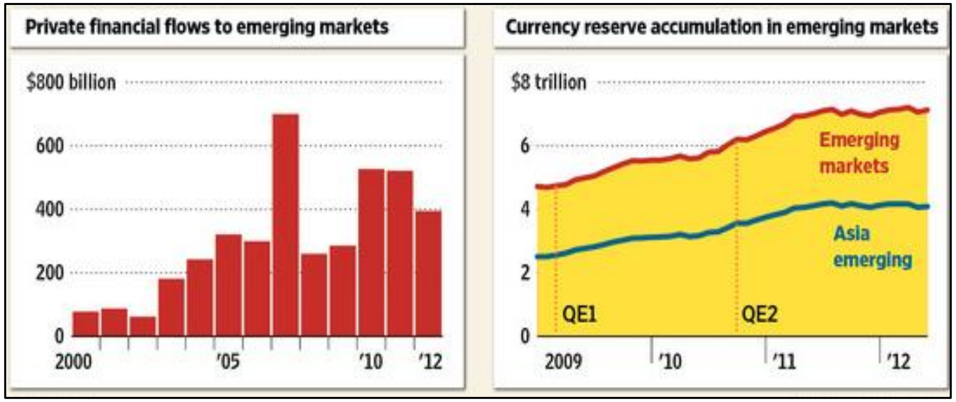
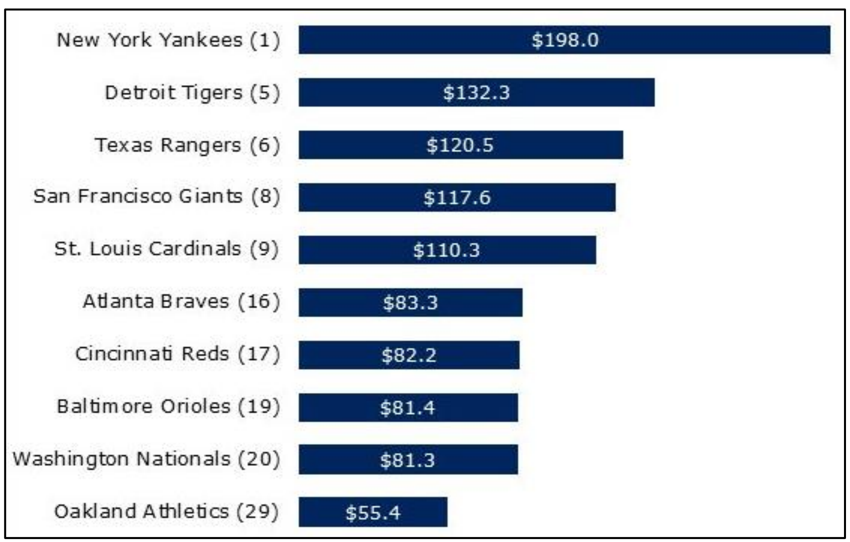
Cash Flow from Previous Federal Reserve Bond-Buying Programs



Source: IMF; WSJ

MLB Playoff Teams Payrolls (in $millions)



Source: USA Today

Quantitative easing has typically been unpopular across emerging markets as it threatens efforts to spur growth within their local economies. Emerging-market leaders lament that all the new money created by the Fed debases the dollar's value and makes their economies less competitive. They also suggest that it puts upward inflation pressure on food and energy commodities. With emerging markets themselves focused on accommodative measures to stimulate their local economies, the latest round of easing in the U.S. may prove far less contentious than earlier ones. The rise in global liquidity could lead to capital inflows into emerging economies as investors seek higher returns in the relatively stronger economies in Asia and Latin America. For emerging economies that still turn to the U.S. as their top customer, QE3 will gain support if it works to get the world's largest economy humming again.

With the Major League Baseball Playoffs set to start this weekend, an analysis of the ten teams participating shows that payroll size has a low correlation to team success. The ten teams in this year's postseason run the gamut of payroll sizes out of the field of 30 teams. The list includes the New York Yankees, owners of the highest Opening Day payroll this season ($198.0 million), but it also includes the Oakland A's, the second-lowest payroll ($55.4 million). Only the San Diego Padres ($55.2 million) had a smaller payroll this season. In all, five of the playoff teams have among the top ten payrolls. However, the other five teams are all among the bottom half of team payrolls.

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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