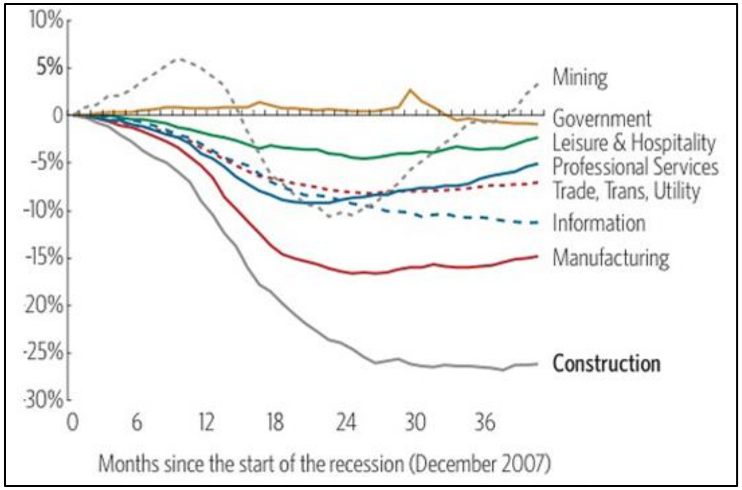
Market Recap

S&P 500 Price to Earnings Ratio

Source: Bloomberg

U.S. Employment Change Since December 2007



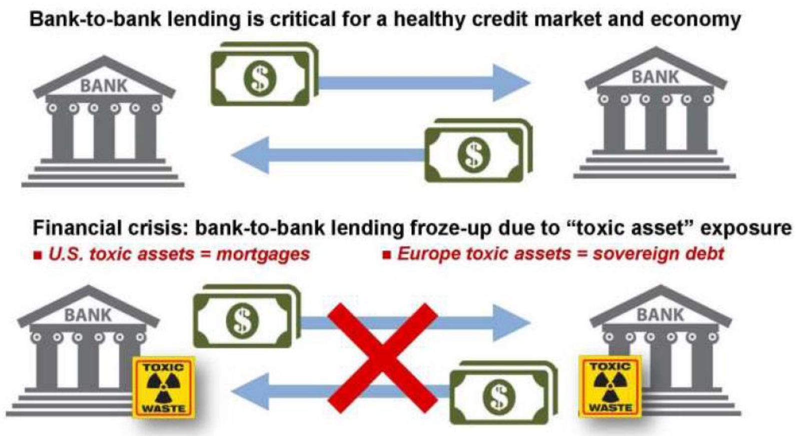
Source: Reuters

This week marked the start of earnings season. Company earnings for the S&P 500 are expected to be lower in the third quarter than they were in the second. The consensus is for third quarter earnings to be $24.29 (versus $24.86 in the second quarter, an all-time record). This represents a projected increase of almost 13% from the third quarter one year ago. Current forecasts have earnings growing 17% y-o-y in the fourth quarter. The fourth quarter forecast may be revised lower given the global slowdown; however, the earnings growth scenario represents the most compelling argument for a fourth quarter recovery for the market. The S&P 500 P/E ratio (using 1-yr forward earnings estimates) is currently 10.27. This is the lowest it's been since 2008, when a dramatic global recession was widely expected. If the global economy ends up experiencing anything short of a total collapse and companies can maintain profits close to forecasts, then stocks are currently selling at exceptional bargain prices.

On Tuesday, the President's Council on Jobs and Competitiveness released its report. The panel is a group of executives (headed by GE's Jeffery Immelt) advising the President on job creation. They are recommending an effort to attract $1 trillion in foreign direct investment within five years. With the U.S. jobless rate at 9.1%, Obama is pressing Congress to act on his jobs plan. One interesting chart from the jobs report looks at employment creation and destruction by industry since before the recession. Every category including the government experienced net job losses. Construction was the hardest hit. The one exception was the mining industry, which benefitted from the heightened price of gold and other precious metals,

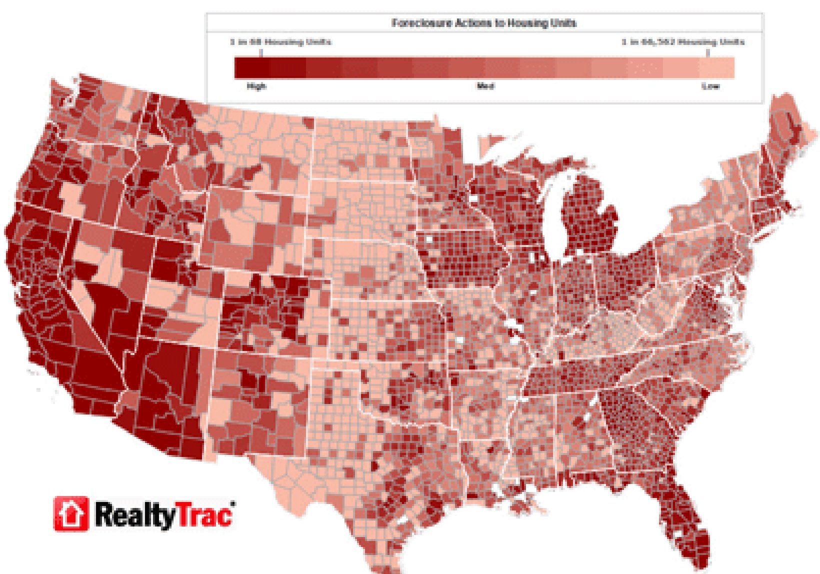
Market Recap

Bank-to-bank Lending System



Source: JP Morgan

U.S. Property Foreclosures



Bank-to-bank lending forms the foundation of credit markets. If a bank doesn't have adequate reserves to make a loan, it can borrow funds from another bank. Typically, banks lend to one another at very low interest rates, as they are reasonably confident they'll be repaid. During the financial crisis, banks stopped lending to each other due to fears that they wouldn't be repaid. This led to a collapse of economic activity. European banks now find themselves in a similar situation. Instead of having exposure to toxic mortgage-related assets, bonds issued by troubled sovereigns, like Greece, are the culprit. Fears of default have resulted in panicked selling of these bonds, which has eroded bank capital ratios and jeopardized the European banking system as a whole. Current estimates have European banks holding ~$490bil of exposure to the sovereign debt of Greece, Ireland, Italy, Portugal, and Spain.

RealtyTrac reported that third-quarter foreclosures fell 34% from a year ago but increased 1% from the previous quarter. This is a sign foreclosure activity may be slowly picking up. Default notices, scheduled auctions, and bank repossessions were reported on 610,337 properties. One in every 213 U.S. housing units had a foreclosure filing during the quarter. The hardest hit areas include Nevada, California, Arizona, and Florida. According to James Saccacio, CEO of RealtyTrac:

"While foreclosure activity in September and the third quarter continued to register well below levels from a year ago, there is evidence that this temporary downward trend is about to change direction, with foreclosure activity slowly beginning to ramp back up".

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.

Disclosure: Harbour Capital Advisors, LLC ("HCA") is an SEC-registered investment adviser located in McLean, Virginia. HCA and its representatives are in compliance with the current filing requirements imposed upon SEC-registered investment advisers by those states in which HCA maintains clients. HCA may only transact business in those states in which it is registered or qualifies for an exemption or exclusion from registration requirements. A direct communication by HCA with a prospective client shall be conducted by a representative that is either registered or qualifies for an exemption or exclusion from registration in the state where the prospective client resides. For information pertaining to the registration status of HCA, please contact the SEC or the state securities regulators for those states in which HCA maintains a notice filing. A copy of HCA's current written disclosure statement discussing HCA's business operations, services, and fees is available from HCA upon written request. HCA does not make any representations or warranties as to the accuracy, timeliness, suitability, completeness, or relevance of any information prepared by any unaffiliated third party and takes no responsibility therefor. All such information is provided solely for convenience purposes only and all users thereof should be guided accordingly. Past performance may not be indicative of future results. Therefore, there can be no assurance (and no current or prospective client should assume) that future performance of any specific investment or investment strategy (including the investments and/or investment strategies recommended or undertaken by HCA) made reference to directly or indirectly by HCA will (i) be suitable or profitable for a client or prospective client's investment portfolio or (ii) equal the corresponding indicated historical performance level(s). Different types of investments involve varying degrees of risk. Historical performance results for investment indices and/or categories generally do not reflect the deduction of transaction and/or custodial charges, the deduction of an investment management fee, or the impact of taxes, the incurrence of which would have the effect of decreasing historical performance results. The material contained herein is provided for informational purposes only and does not constitute an offer to buy or sell or a solicitation of an offer to buy or sell any option or any other security or other financial instruments. Certain content provided herein may contain a discussion of, and/or provide access to, HCA's (and those of other investment and non-investment professionals) positions and/or recommendations as of a specific prior date. Due to various factors, including changing market conditions, such discussion may no longer be reflective of current position(s) and/or recommendation(s). Moreover, no client or prospective client should assume that any such discussion serves as the receipt of, or a substitute for, personalized advice from HCA, or from any other investment professional. HCA is neither an attorney nor an accountant, and no portion of the content provided herein should be interpreted as legal, accounting, or tax advice. The tax information contained herein is general in nature and is provided for informational purposes only. HCA does not provide legal, tax, or accounting advice. HCA cannot guarantee that such information is accurate, complete, or timely. Laws of a particular state or laws which may be applicable to a particular situation may have an impact on the applicability, accuracy, or completeness of such information. Federal and state laws and regulations are complex and are subject to change. Changes in such laws and regulations may have a material impact on pre– and/or after–tax investment results. **CIRCULAR 230 DISCLOSURE: To comply with Treasury Department regulations, we inform you that, unless otherwise expressly indicated, any tax information contained herein is not intended or written to be used, and cannot be used, for the purpose of (i) avoiding penalties that may be imposed under the Internal Revenue Code or any other applicable tax law, or (ii) promoting, marketing, or recommending to another party any transaction, arrangement, or other matter.** Rankings and/or recognition by unaffiliated rating services and/or publications should not be construed by a client or prospective client as a guarantee that he/she will experience a certain level of results if HCA is engaged, or continues to be engaged, to provide investment advisory services, nor should it be construed as a current or past endorsement of HCA by any of its clients. Rankings published by magazines, and others, generally base their selections exclusively on information prepared and/or submitted by the recognized adviser.